




REPORT
ON MAIN INDICATORS OF «HOUSE CONSTRUCTION SAVINGS
BANK OF KAZAKHSTAN» JSC ACTIVITY

2015 |



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The background of the table of contents is a photograph of a silver key hanging from a door handle. The key is positioned vertically, with its head at the top and its blade pointing downwards. The door handle is partially visible on the right side of the image. The overall color scheme is a mix of blue and white, with the text overlaid on a semi-transparent blue background.

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APPEAL OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Ladies and Gentlemen,
Clients and Partners!

I am glad to greet you and submit the Annual report of “House Construction Savings Bank of Kazakhstan” JSC (hereinafter – the Bank) for 2015 for your attention.

Within the reporting year the Bank continued the implementation of strategic and socially significant tasks assigned, including the active participation in the Program for development of the regions till 2020 in the Republic of Kazakhstan.

JSC «House Construction Savings Bank of Kazakhstan» is the only one bank in the country implementing housing construction savings system. HCS system is intended for improvement of housing conditions of people through attracting funds of depositors to housing construction deposits and granting them with housing loans.

The Bank achieved the main planning indicators of activity for 2015 including the plans on attracting the participants to the system of house construction savings at the level of 7,1% to the economically active people and issuance of the Bank’s loans at the level of 125 billion tenge. Up to date each two of three tenge of Kazakhstan pledge in 2015 were issued by JSC «House Construction Savings Bank of Kazakhstan». As a result the bank share at the market of loan for construction and acquisition of housing makes up 63,2% and the share at the market for people contribution makes up 49,7%.

The International Rating Agencies Moody’s Investors Service (Baa3) and Fitch Ratings (BBB+) confirmed the ratings of JSC «House Construction Savings Bank of Kazakhstan» which are the highest among the second tier banks of the Republic of

Kazakhstan. This fact testifies the stable development of the Bank.

In its activity the Bank pays special attention to the operational development, the high quality of which is marked by the high trust of clients and growing demand for the Banks’ products.

This year the Bank has signed Memorandum on Cooperation with German partner – Bausparkasse Schwaebisch Hall. Bausparkasse Schwaebisch Hall is the construction savings bank which has been operated on the European market for more than 80 years, successfully implementing the system of house construction savings. This agreement between two large banks shall facilitate mutual profitable exchange of experience and further development of house construction savings system in the Republic of Kazakhstan. Memorandum between Kazakhstan and German colleges shall open new opportunities towards further improvement of house construction savings system in Kazakhstan.

In 2016 JSC «House Construction Savings Bank of Kazakhstan» shall continue to develop house construction savings system in Kazakhstan solving the social task on the improvement of housing conditions of the people in the Republic of Kazakhstan.

Best regards,

Aldambergen Alina Utemiskyzy
Chairman of the Board of Directors
JSC «HOUSE CONSTRUCTION SAVINGS
BANK OF KAZAKHSTAN»

APPEAL OF THE CHAIRMAN OF THE BOARD

Dear Ladies and Gentlemen,
Clients and Partners!

Despite the crisis trends in the global economy, reducing the commodity prices and increasing the level of inflation in Kazakhstan, as well as the transition to a freely floating exchange rate of the national currency and its significant fluctuations in 2015, the Bank managed to maintain its leading position in specialized markets.

As a result of activities in 2015, the Bank achieved the following indicators:

- the volume of the Deposit base of clients in the amount of 297 billion tenge, which allowed the Bank to keep 1 place on long-term deposits in national currency;
- the volume of the contract amount in 1.9 trillion tenge;
- the volume of credit portfolio in the amount of 280 billion tenge;
- the Bank's share in the market of loans for construction and purchase of housing at the level of 24.6%.

In the past year a number of measures were implemented aimed at improving the quality of customer service, significant development of IT infrastructure, increasing the efficiency of business processes, development of international cooperation. A new automated banking system was adopted, resulting in the increased productivity and improved quality of economic activity. The efficiency of interaction of the Bank with the Holding

company was increased through the integration of electronic document management system of the Bank. In 2015, we continued our active participation in the implementation of the Program for development of the regions till 2020. («Affordable housing – 2020»).

In the framework of international cooperation it is planned to continue work on the application of global best practices of housing construction savings system, the analysis of possibilities of introduction of new competitive products and implementation of strategic partnerships.

Consequently, the performance results of the Bank indicate that the Kazakhstan model of the housing construction savings system, having no analogues in the financial market, proved its relevance and competitiveness, rightly earned the trust of the citizens of Kazakhstan.

We express our gratitude to every client for their trust and support!

With best regards,
Aibatyr Zhumagulov
Chairman of the Board of
«HOUSE CONSTRUCTION SAVINGS
BANK OF KAZAKHSTAN” JSC

I. CORPORATE EVENTS SCHEDULE IN 2015

Within the year

- Taking part in implementation of Program for development of the regions till 2020.
- Attracting new 225 thousand participants in housing savings system;
- Amending the internal documents by the bank on the issues of loans for people, using commissions, simplification of procedures for formation of housing buyers and renters pool according to the program for development of the regions till 2020;
- Arrangement of 9 external inspections of activity of the Bank Central Office and branches by authorized bodies (National Bank of RK, Tax Committee, State Institution "Administration for monitoring occupational health and safety in Kyzylorda oblast", Inspection for financial control in West Kazakhstan oblast under management of Financial Supervision Committee of Ministry of Finance of RK, procuracy authorities and others);
- Arrangement of openness and availability of Bank activity information according to the Law of the Republic of Kazakhstan "On the access to Information" No.401-V dated 16.11.2015.

March

- Re-registration of Kyzylorda Regional Branch of the Bank.

April

- Early termination of powers of the member of the Board of Directors Hamitov Yersain Yerbulatovich and the election of Madiev Serzhan Nurakhanovich as a member of the Board of Directors (Resolution of the Sole Shareholder dated 09.04.2015 (Protocol No.09/15))

May

- Election of the member of the Board Medeuova Aizhan Turabaevna to the position of Deputy Chairman of the Board.
- Conclusion of Contract on rendering services for reception of payments at the Internet resource kasp.kz with «KaspiBank» JSC.
- Decrease of the fee for issuing certificates on the state savings, loan accounts, the presence/absence of loan indebtedness and other certificates from 1 000 to 0 tenge (no fees).
- Conduction of the campaign «TOP consultant for the beloved clients», in which top managers and heads Bank divisions acted as consultants on services and products of the Bank.

June

- Annual meeting of analysts of Moody's Investors Service and "House Construction Savings Bank" JSC regarding the issue of credit rating of the Bank.

July

- Implementation of alternative process of registration of Mortgage Contracts electronically via ENIS (notaries). The Bank is one of the first of STB used and implemented this method of registration of Mortgage Contracts.
- Implementation of integration of Bank IS external working places with national databases of the Ministry of Internal Affairs of RK, the Ministry of Justice of RK through the outer gateway of the electronic government «NIT» JSC.
- Implementation of function of making contributions/monthly payments through the introduction of IIN of the client in the payment terminals of the Bank.
- Implementation of possibility for electronic queue booking by clients on the Bank's website.
- Signing Memorandum of cooperation between the Bank and Bausparkasse Schwabisch Hall (Germany).

August

- Announcement in mass media on the acceptance of inquiries under the Program of projects implementation.

September

- Conduction of market research «mystery shopper» by the company «4Service» in order to determine the quality of services provided by the Bank.
- Starting the process of accepting payments via the Internet resource Kaspi.kz.
- Meeting of the Bank's management, in the person of Deputy Chairman of the Board Karashukeev E. Sh. with the head of the Russian branch of Moody's Rating Agency, Alexei Sazhin, regarding the services and work of Moody's analysts.
- Within the framework of the implementation of housing construction projects through the placement of specified deposits of the Bank – the conclusion of the Agreement on special fixed-term Bank Deposit with «Astana Bank» JSC for subsequent crediting of the Builder (for construction of Residential Development «Zhagalau-4» in Astana city).

October

- Press conference of the Bank on the theme: «Payment of compensations to investors and privatization of Bank» (in Almaty city).
- Signing the Agreement on cooperation in the electronic money system PayPoint of «PayPoint» LLP and «Eximbank» JSC, in which 450 terminals and 50 cash registers of «PayPoint» LLP shall accept payments in favor of the Bank. Receiving payments for Bank clients is free, as the Commission is paid for by the funds of the Bank.
- Election of the member of the Board of Bank, Alimova Kuralai Nurdauletovna, to the position of Deputy Chairman of the Board.
- To users of «Personal cabinet» on the Bank's website a new service «Replenishment of deposit, repayment of credit with the card of any Bank» is available. Payments are credited to the client's account in real time without fees.

November

- Participation of Bank in the annual meeting of the members of the European Federation of building savings banks in Prague.
- Signing the tripartite Memorandum of understanding between the Bank, Governor of East Kazakhstan oblast and JSC «NC «Socio-entrepreneurial Corporation «Ertis»».
- Affirmation by International rating Agency Fitch Ratings of long-term ratings of default of JSC «House Construction Savings Bank of Kazakhstan» Issuer in national currency at «BBB+» level. The forecast on ratings – «Stable».

December

- Conduction of the campaign "Change the date of repayment without payment of commission" with the validity period from 01.12.2015 to 01.03.2016.
- Assessment of the Internal Audit Department (hereinafter – the IAT) of the Bank for the compliance with the International professional standards of internal audit of «Pricewaterhouse Coopers» LLP.
- Launching the service «Online booking» for booking queue in any branch of the Bank and head office of the Bank, with choosing time at own discretion.
- Implementation of the fields «Bank agreement number» and «date of agreement» in ENIS system that allows the Bank to obtain certificates on registered rights (encumbrances) with the reflection of Pledge Agreement number.

II. MAIN INDICATORS FOR 2015

2.1 Key outcomes of the activity

Main product of the Bank

House construction savings.

Main types of activity

- Acceptance of contributions to house construction savings, opening and maintaining accounts of investors;
- Provision of housing, preliminary and intermediate house loans on carrying out measures for improvement of housing conditions.

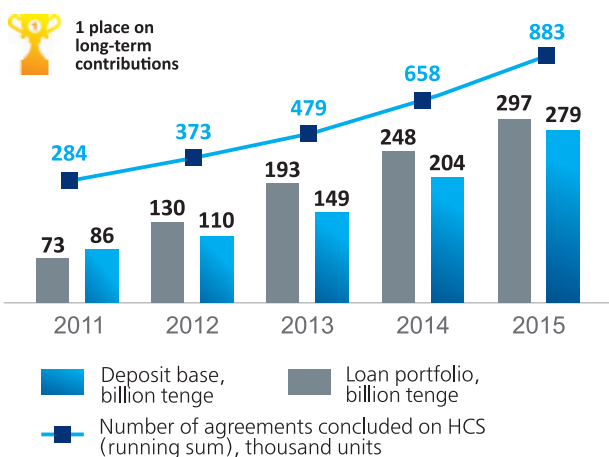
Regional network

17 branches and 15 service centers across Kazakhstan.

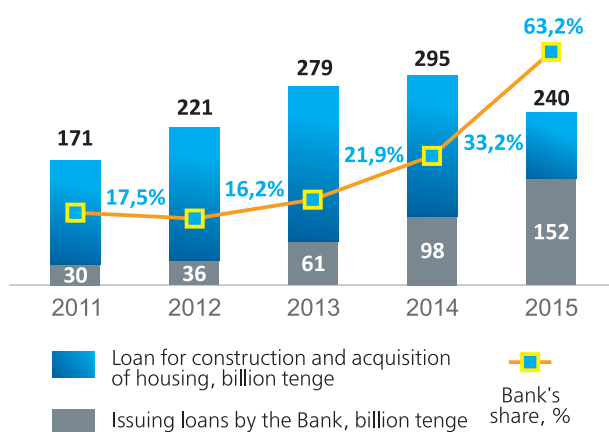
Agency network

818 consultants;
The Agents are the legal entities – Kazpost JSC

Deposit Base and Loan Portfolio



Volume of loans issuance for construction and purchase of housing



Ratings

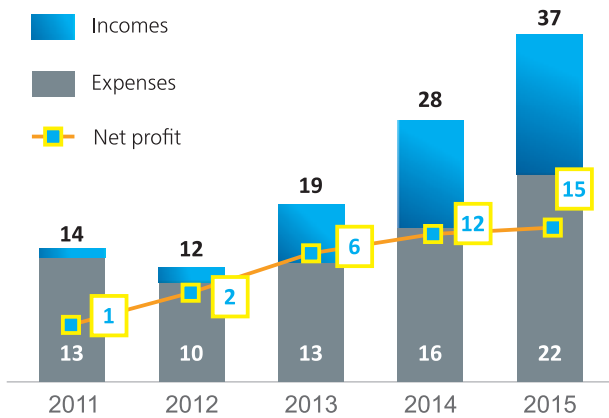
Moody's:

Long-term rating on deposits in the national currency: Baa3
Short-term rating on deposits in the national currency: Prime-3
Rating of financial stability: D-
Forecast: stable.

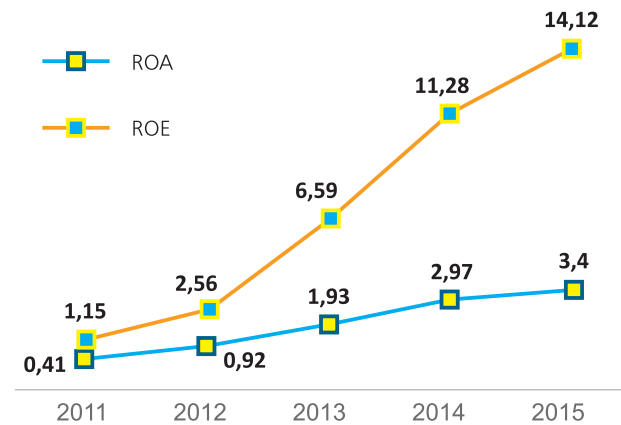
Fitch Ratings:

Long-term rating on Issuer's default in the national currency: BBB+
Short-term rating on Issuer's default in the national currency: F2 Forecast: stable.

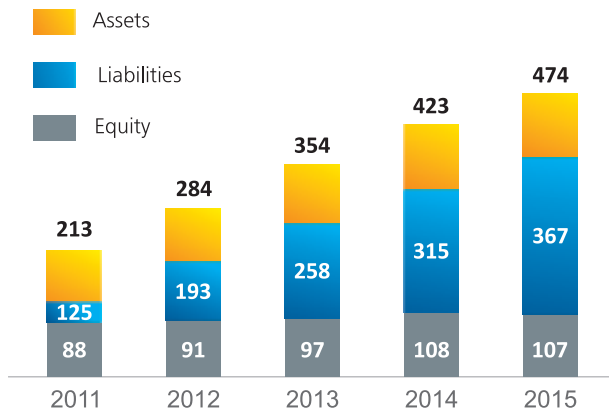
Incomes, expenses and net profit, billion tenge



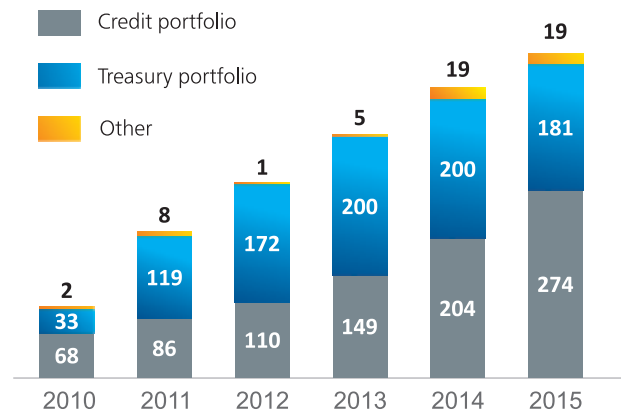
Profitability Ratios, %



Assets, liabilities and equity, billion tenge

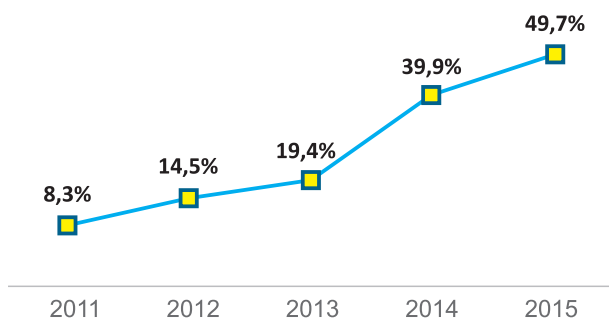


Assets structure, billion tenge

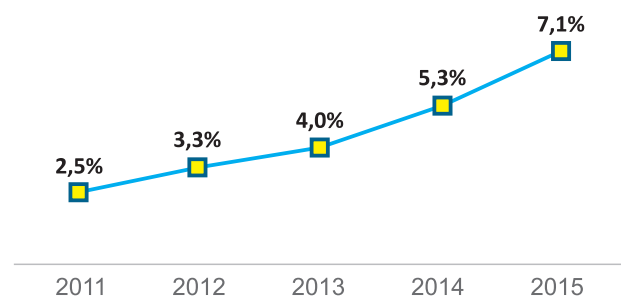


2.2. Market power

Bank's share in the market of long-term deposits of population



Participants of house construction savings system to economically active population



III. SOLE SHAREHOLDER

1. Starting from August 2013, Baiterek National Management Holding JSC is the Bank's Sole Shareholder with 100% rights for a possession and a usage of the state block of shares.

2. Baiterek National Management Holding JSC was created in accordance with the Decree of the President of the Republic of Kazakhstan, issued on May 22, 2013 No. 571: "On Some Measures of Management System Optimization for Development Institutes, Financial Organizations and National Economy Development" and the Regulation of the Government of the Republic of Kazakhstan, issued on May 25, 2013 No.516: "On Measures for Realization of the Decree of the President of the Republic of Kazakhstan, issued on May 22, 2013 No.571".

One of the main tasks of Baiterek National Management Holding JSC (hereinafter – the "Holding") is the provision of effective and complementary functioning of Holding group of companies. One of key objectives of Baiterek National Management Holding JSC (hereinafter – the "Holding") is to ensure effective and mutually supportive functioning of Holding corporate group.

3. Mission:

To facilitate sustainable economical growth of Kazakhstan through funding and providing support to first priority sectors of economy in pursuance of realizing the state policy, solving socially oriented challenges and achieving goals set under "Strategy 2050".

4. Vision:

Vision of the Holding by 2023 – a holding being the major financial agent of the Government of the Republic of Kazakhstan, providing diversification, upgrading and sustainable growth of the

country and solving socially oriented problems of the State.

5. Holding actively participates in the strategic and social objectives of the state through development institutions by the implementation of the "State program of forced industrial-innovative development for 2010-2014", as well as programs Road Business Map - 2020 and "Program for development of the regions till 2020".

6. Main goals and tasks:

- Implementation of the effective risk management system;
- Increasing of transparency and public confidence level;
- Ensuring synergy effect of the subsidiaries' activity;
- Increasing the economic efficiency of subsidiaries/break-even principle;
- Attraction of additional investments;
- Cooperation with a private sector.

The structure of "NMH Baiterek" JSC includes the following organizations:

- Development institutions participating in the financing, investment and export support for major projects and enterprises, implementation of the "State program of forced industrial-innovative development of Kazakhstan for 2010-2014", «Development Bank of Kazakhstan» JSC, («DBK JSC»), «Kazyna Capital Management» JSC (KCM JSC), «Investment Fund of Kazakhstan» JSC (IFK JSC), «KazExportGarant» JSC («CEG JSC») and «Center for support of public-private partnership projects» LLP («CSPPPP LLP»);
- Institutions rendering support to the development of innovative activities, small and medium

business and implementation of «Road Business Map - 2020»: «Damu Enterprise Development Fund» JSC («EDF «Damu» JSC) and «National Agency for Technological Development» JSC («NATD» JSC);

- Financial institutions involved in the implementation of projects in the field of real estate, house construction savings and state Program for development of the regions till 2020: «House Construction Savings Bank of Kazakhstan» JSC («HCSBK» Bank JSC), «Kazakhstan Mortgage Company» JSC (KMC JSC), «Baiterek Development» JSC («BD» JSC), «Kazakhstan Fund of guaranteeing mortgage loans» JSC («KFGML» JSC).

- The Board of Directors is the Superior Body of Holding Management which includes, as of 01.01.2016:

- Masimov Karim Kazhimkanovich – Prime Minister of RK, Chairman of the Board of Directors;

- Sagintayev Bakytzhan Abdirovich – First Deputy Prime Minister of the Republic of Kazakhstan, Member of the Board of Directors;

- Isekeshev Aset Orentayevich – Minister for Investments and Development of RK, Member of the Board of Directors;

- Sultanov Bakhyt Turlykhanovich – Minister of Finance of RK, Member of the Board of Directors;

- Dosaev Yerbolat Askarbekovich – Minister of National Economy of RK, Member of the Board of Directors;

- Orynbaev Yerbol Turmakhanovich – Assistant to the President of the Republic of Kazakhstan, Member of the Board of Directors;

- Bishimbayev Kuandyk Valikhanovich – Chairman of the Board of JSC «NMH «Baiterek», Member of the Board of Directors;

- Claus Mangold, non-executive Director, Member of the Supervisory boards in Germany;

- Thomas Mirov - non-executive Director, Member of the Board of Directors of international companies;

- Philip Yeo – non-executive Director, takes leadership positions in international companies;

- Koshanov Yerlan Zhakanovich – Chief of Chancellery of Prime Minister of RK, Acting Corporate Secretary of the Holding.

The Board executes the management of current activities of the Holding which consists of 5 persons:

1. Bishimbayev Kuandyk Valikhanovich – Chairman of the Board;

2. Aldambergen Alina Utemiskyzy – Deputy Chairman of the Board;

3. Dostiyarov Askar Abayevich – Managing Director, Member of the Board;

4. Seidzhaparova Dinara Nurlanovna – Managing Director, Member of the Board;

5. Khamitov Yersain Yerbulatovich – Managing Director, Member of the Board.

IV. BOARD OF DIRECTORS

The members of the Board of Directors of the Bank are elected for the position by the Sole Shareholder with the consequent coordination of their candidatures with the National Bank of the Republic of Kazakhstan on the manner provided by current legislation of the Republic of Kazakhstan and Articles of Association of the Bank. As of 01.01.2016 the Board of Directors consist of the 5 members, including 2 non-executive directors:

Work Experience

Chairman of the Board of Directors, The member of the Board of Directors of "MO "Kazakhstan Mortgage Company" JSC; Member of the Board of Directors of "Damu Enterprise Development Fund" JSC; Deputy Chairman of the Board of "Baiterek" National Management Holding JSC; Member of the Board of Directors of "Kazakhstan Development Bank" JSC; Member of the Exchange Committee, Non-executive Director of "Kazakhstan Stock Exchange" JSC; Member of the Board of Directors, Non-executive Director of "OGCC Kazakhstan Construction Service" JSC; Deputy General Director of "Samruk – Kazyna Finance" LLP; General Director of "Samruk – Kazyna Finance" LLP; Chairman of the Board of Directors of "Temirbank" JSC; Member of the Board of Directors of "Temirbank" JSC; Member of the Board of Directors of "BTA Bank" JSC; Member of the Board of Directors, Chairman of the Board of Directors of "Alliance Bank" JSC; Deputy Chairman of Agency of Republic Kazakhstan on regulation and supervision of financial market and financial organizations.

Work Experience – more than 18 years.



**Aldambergen Alina
Utemiskyzy**

Chairman of the Board of Directors of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC

Status

Deputy Chairman of the Board of "Baiterek" National Management Holding JSC.

Education

Kazakh State Academy of Management, speciality: "Finance and Credit".

School of Business Administration named after William E. Simon, University of Rochester, speciality: «Corporate Finance and accounting».



**Madiev Serzhan
Nurakhanovich**

Member of the Board of Directors of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC

Status

Managing Director of "Baiterek" National Management Holding JSC.

Education

L.N.Gumilyov Eurasian National University, International Economy; University of Wisconsin, banking management; Warwick Business School, Finances; CFA Institute, Speciality: Finances.

Work Experience

Member of the Board of Directors of "MO "KMC" JSC, "Baiterek Development" JSC; Deputy Chairman of the Board of «Commodity Exchange "ETS" JSC; Director of department of financial consulting and investment analysis of "RFCA" JSC; Manager of structural financing control of "Kazakhstan Development Bank" JSC; leading expert of "KazAgroFinance" JSC.

Work Experience – more than 10 year.



**Babenov Bulat
Bazartaevich**

Member of the Board of Directors of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC, Non-executive Director

Status

Chairman of the Board, Member of the Board of Directors of "Managing Company "Republic"

Education

Academy of State Administration under the President of the Republic of Kazakhstan, Manager of public service; Kostanay Agricultural Institute, economist-organizer

Work Experience

Chairman of the Board, Member of the Board of Directors of "Managing Company "Republic"; Member of the Board of Directors - Non-executive Director of "Tsesna Capital" JSC, "Imstalkon" JSC, "SkyBridgeInvest" JSC, "Distressed Assets Fund" JSC, "Ular Umit NPF" JSC, "Zhetysu Organization Executing Investment Management for Retirement Assets JSC, "BTA Bank" JSC, BTA Bank JSC Branch Company "BTA Securities", Vice-president of "Kazakhstan Stock Exchange" JSC; leading expert of Antimonopoly Committee of Kostanay oblast.

Work Experience – more than 19 years.



**Ibrashev Miras
Baurzhanovich**

Member of the Board of Directors of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC, Non-executive Director

Status

Deputy General Director of "SARY-ARKA COMPANY" LLP

Education

Kazakh National Technical University, speciality: Engineer & Economist. International Business Academy, MBA- Master of Business Administration

Work Experience

Managing Director of "Grans AB Group" LLP; General Director, Chairman of the Supervisory Board of "Damir Trans" LLP; Deputy General Director of "Taman" LLP car-repair shop; Chief manager of Association of Legal Entities "Association of railroad car enterprise"; Chief specialist of "Passenger Transportation" JSC, financier of "Ural Oil and Gas" LLP.

Work Experience – more than 18 years.



**Zhumagulov Aibatyr
Nyshanbayevich**

Member of the Board of Directors of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC

Status

Chairman of the Board of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC

Education

Al-Farabi Kazakh National University, Master of Economics, speciality: Economic Theory. Al-Farabi Kazakh National University, Economics and Sociology Department, speciality: Economics and Management

Work Experience

Executive positions in the structure of "Bank Center Credit" JSC and its affiliate organizations, National Bank of the Republic of Kazakhstan, Ministry of Industry and New technologies of the RK. Member of the Board of Directors of affiliate organizations of "NMH "Baiterek" JSC as well as "MAG" JSC.

Work Experience – more than 15 years.

V. MANAGEMENT BOARD

The Board of the Bank acts on the basis of Regulations on the Board approved by the Board of Directors of the Bank and performs management of current activity of the Bank. Establishment of the Board, its powers and early termination of powers are exercised by the resolution of Board of Directors of the Bank in accordance with the legislation of the Republic of Kazakhstan and Articles of Association of the Bank.

As of 01.01.2016 the Board of the Bank consists of 6 members, including:

Position in the composition of the Board



Zhumagulov Aibatyr Nyshanbayevich is the Chairman of the Board of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC since October 2013. Until 2013, he held executive positions in National bank of the Republic of Kazakhstan, second-tier banks and Ministry of Industry and New Technologies of the Republic of Kazakhstan.



Alimova Kuralai Nurdauletovna is the Deputy Chairman of the Board of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC since November 2015. Until 2015 she held executive positions in "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC, in second-tier banks.



Altynsaka Nurzhami Kalykbayevna is the Deputy Chairman of the Board of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC since March 2007. Until 2007 she held executive positions in the second-tier banks and National Bank of the Republic of Kazakhstan.



Altynbekov Kairat Turekulovich is the Deputy Chairman of the Board of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC since January 2014. Until 2014 he held the position of Vice-president of "BTA Mortgage" JSC.



Karashukeev Yerbol Shyrakpayevich is the Deputy Chairman of the Board of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC since September 2013. Until 2013 he held executive positions in state and financial organizations.



Medeuova Aizhan Turakbaevna is the Deputy Chairman of the Board of "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC since May 2015. Until 2015 she held executive positions in "HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC.

VI. STRATEGY

6.1. Mission and Vision

Mission

The provision of equal access for a wide population stratum to the system of housing and construction savings among all regions of the Republic of Kazakhstan and rendering of the qualitative bank services in order to improve housing conditions.

Vision

“HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN” JSC – is a stable financial institution, implementing the principles of house construction savings system and providing quality services to a broad layers of economically active population of the republic of Kazakhstan as well as assisting the solution of socially-oriented tasks of the country.

6.2. Strategic goal of development

According to the Long-term strategy of the Bank for 2014-2023, the main strategic goal for the Bank’s development until the end of 2023, is an increase of the bank competitiveness via an increase of participating performance share of the housing construction saving system up to 17% as for economically active population, and an increase and support of the profitability ratio for equity capital at a level not less than 6%.

6.3. Goals and tasks for 2015

The Bank’s activity in accounting period was executed in accordance with the Long-term strategy of the Bank for 2014 - 2023, the Bank’s Development plan for 2014 - 2018, the Articles of Association and internal documents of the Bank.

In accordance with the above-mentioned documents for 2015, key indicators were stated, an achievement of which is introduced in the following table:

Table No. 1

Indicator name	Plan for 2015	Act. for 2015	Execution, %
Ratio of HCS system clients to economically active population of RK, %	6,3	7,11	113%
ROE, %	5,69	14,12	248%
Contract on Housing Construction Savings, un.	155 000	224 703	145%
Loan issue, mln.tenge	70 000	151 650	217%

Actual share to economically active population under the results of 2015 was 7,11%, that is the result of correlation of 644,3 thousand acting participants¹ to 8 615 thousand people of economically active population of the country. In scheduled figures of 6,3%, plan execution made up 113%.

Return on equity for the reporting period amounted to 14.12%, that is a result of receiving positive undistributed profit of the current period at the level of 15 232 million tenge, while in the scheduled figure – in the amount of 6 337 million tenge.

¹ Participants are represented according to the number of valid agreements - 601 423 units and according to the number of valid housing loans - 42 889 units.

VII. OUTCOMES ASSESSMENT FOR 2015 ACCORDING TO TYPES OF ACTIVITY

7.1. Main activity

Main fields of Bank activity:

- 1) reception of deposits from participants of housing construction savings;
- 2) issue of loans for an improvement of housing conditions;
- 3) investment activity on the management of temporarily available assets of the Bank.

Reception of Deposits

Currently, the Bank offers for consumers the following tariff programs, which differ by a period of saving accumulation, a period of crediting and interest rates:

Table No.2

Name	Bastau	Orken	Kemel	Bolashak
Period of HCS accumulation	3-3,5 years	5,5 years	8,5 years	15 years
Fee rate for deposits in HCS	2% per annum			
Fee rate for housing loan	5% per annum	4,5% per annum	4% per annum	3,5% per annum
Period of housing loan provision	up to 6 years	up to 10 years	up to 15 years	up to 25 years

All existing tariff programs of the Bank need to accumulate 50% of contractual amount. Further-more, the Bank renders services under contracts, concluded according to previously effective tariff programs, the conclusion of new contracts on which, currently, is not executing.

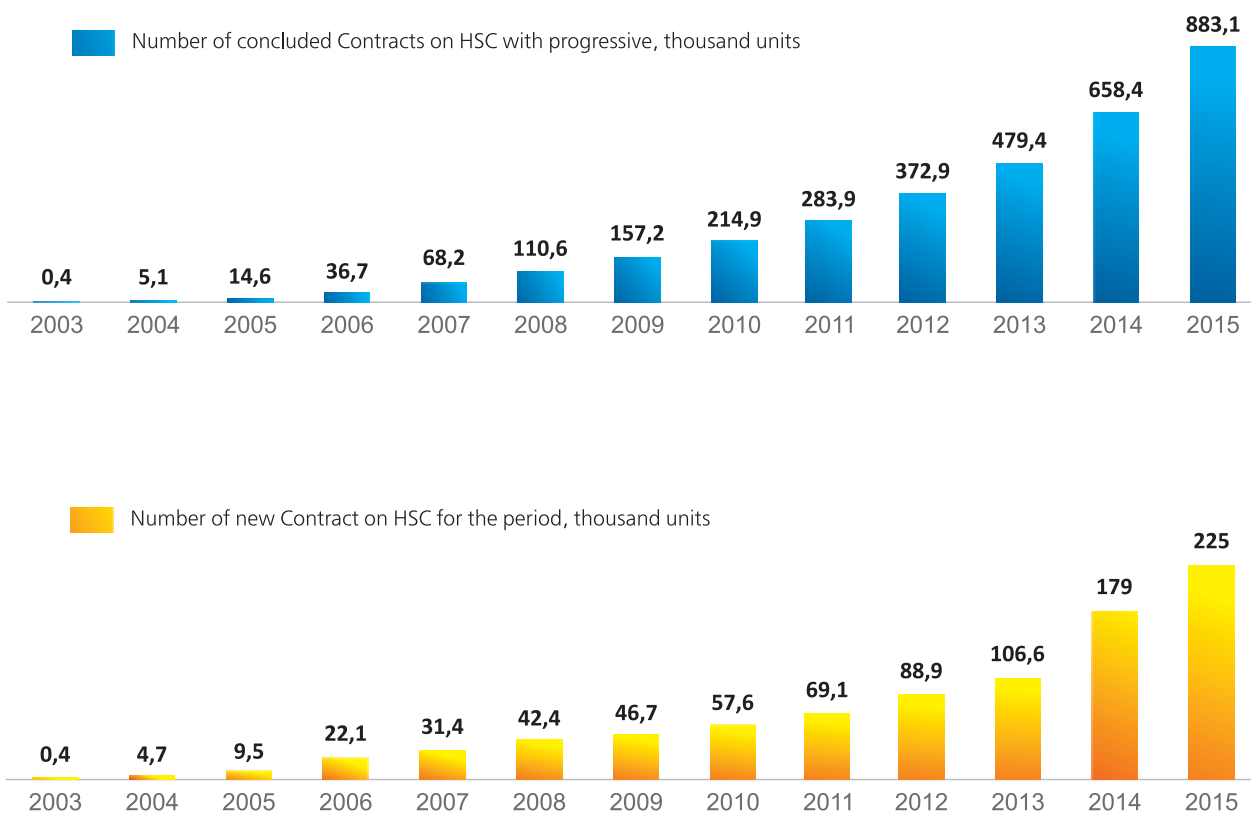
Bank follows the policy of complete and timely execution of undertaken obligations to the clients.

Diagram No.1, shows the data on dynamics of conclusion of contracts concerning

HCS from the beginning of the Bank Activity. While analyzing the Bank's development, it is seen that growth rate of contracts concerning HCS is characterized by a rapid consecutive increase of population participation in the development of Kazakhstan housing construction saving system. Thus, the increase of quantity of concluded contracts concerning housing construction savings, for the period from 2012 until 2015 is on the average 38%.

Dynamics of Concluding the Contracts on HSC

Diagram No.1



As of 01.01.2016 the quantity of concluded HCS is 883 125 contracts, contractual price reached 1 890,7 bln.tenge. Yet, the quantity of the contracts in force concerning HCS is 601 423 that is 30% higher than the indicator upon outcomes of 2014 (463 803 contracts in 2014).

As of 01.01.2016 deposit base is 297 bln. tenge, that is the increase for 20% comparing with the indicators of 2014. Loan Portfolio of the bank increased for 37%, and made up 279,5 bln. tenge.

Loan issue

The Bank provides its depositors with housing, intermediate and preliminary housing loans to conduct events on the improving of housing conditions, notably:

- construction (including acquisition of a land), acquisition of housing, including by the means of its exchange in order to improve it;

- repair and modernization of housing (including acquisition of construction materials, payment for contract works);

- extinction of obligations, which appeared in connection with the events on improvement of housing conditions;

- introduction of initial contribution in order to obtain the mortgage housing loan in banks and organizations, executing some types of bank transactions.

According the Law of the Republic of Kazakhstan: «On Housing Construction Savings in the Republic of Kazakhstan», it is defined that the amount of fee rate on a housing loan cannot be higher than the fee rate for deposits in housing construction savings more than three percent per annum.

Current fee rates for preliminary and intermediate housing loan:

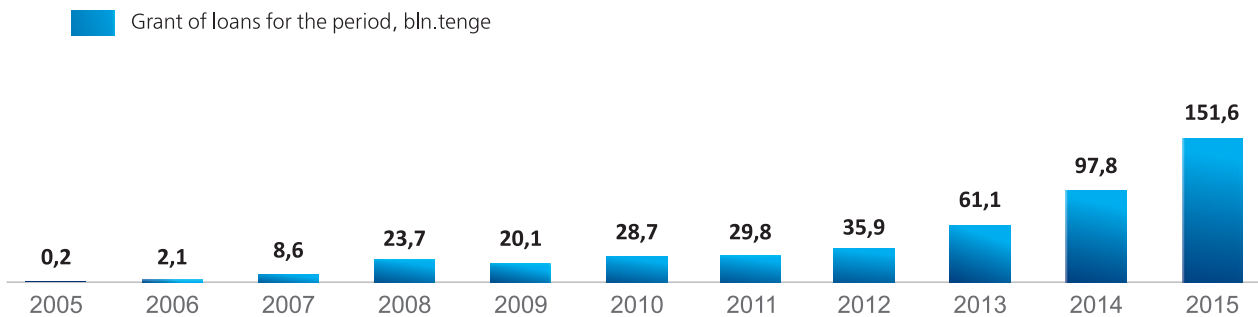
Table No. 3

Loan Type	Fee Rate
Preliminary housing loans	10% per annum (AERR* - from 11,4% per annum), without savings, for participants of state program 7,5 % per annum (AERR - from 7,9 % per annum), without savings, for participants of Program for development of the regions till 2020 with the use of Budget Funds
Intermediate housing loans	from 7,5% per annum (AERR - from 8,9% per annum) 6,5% per annum (AERR - from 7,2% per annum) - for participants of Program for development of the regions till 2020

*Annual effective rate of return

Dynamics of Loan Issue

Diagram No. 2



While conducting the comparative analyses of the Bank's loan issue volumes for the period from 2005 until 2013, the sharp growth of crediting volumes is observed until 2008 inclusive. This growth is conditioned by the onset of periods for housing loan issue, beginning of preliminary housing loan issue, and also realization of state programs for housing construction. In addition, there is an observed sharp growth of credit portfolio from 2012, which is connected with the active loans issue to the population, including that within the

Program for development of the regions till 2020 ("Affordable Housing – 2020").

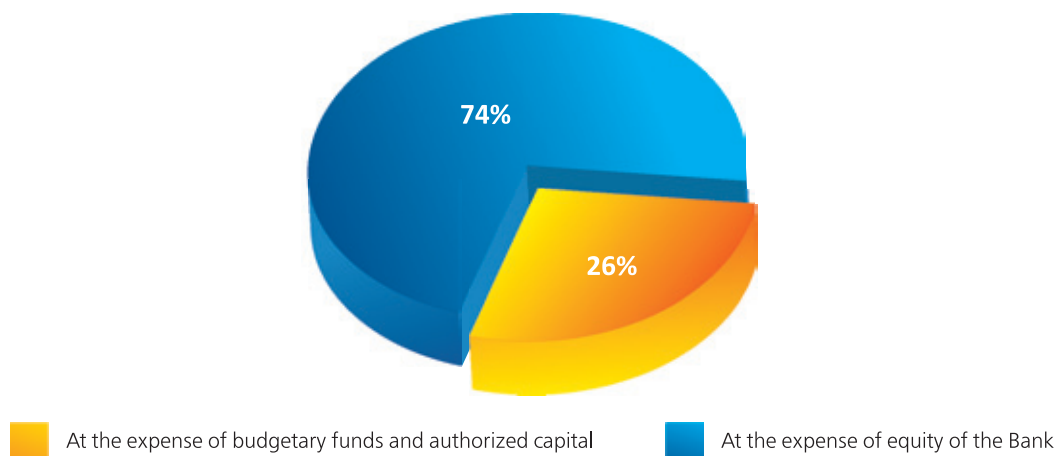
In addition, the increase of annual loan issue volume for the period from 2012 to 2015 was on the average 62%.

For 2015 the quantity of the issued loan was 26 496 loans for the overall amount of 151,6 bln. tenge.

The structure of issued loans (by volume) in the context of financing sources and application objectives for 01.01.2016 is introduced in Diagram No.3:

All issued loans as of 01.01.2016

Diagram No.3

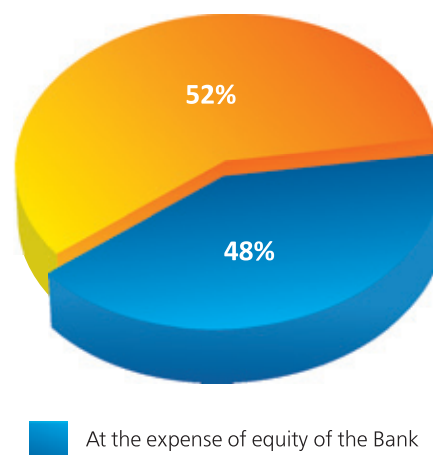
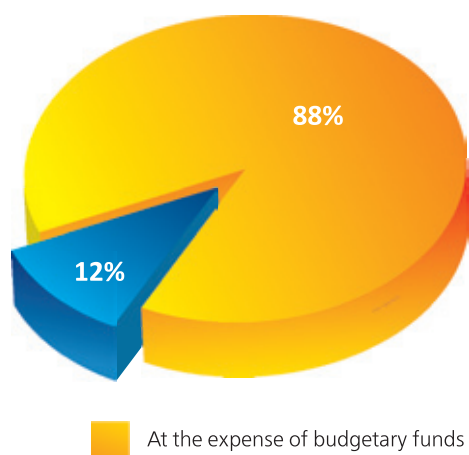


While analyzing loans according to funding sources, it is necessary to note, that the largest share is occupied by the loans, issued at the expense of the Bank’s assets (74% of all issued loans).

Diagram No. 4

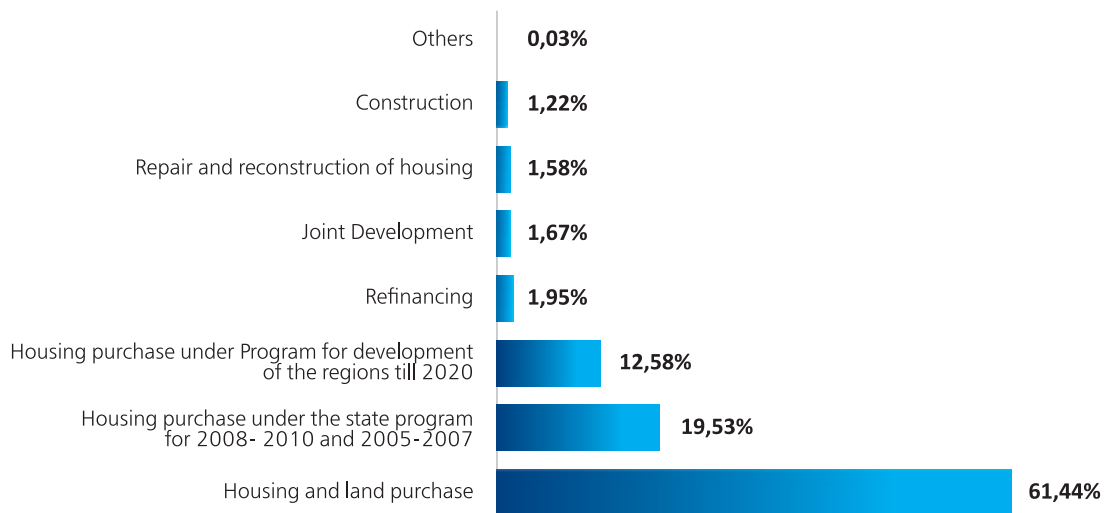
The loans, issued in the scope of SP for 2005 - 2007 and 2008 - 2010, as of 01.01.2016

The loans, issued in the extent of Affordable Housing-2020 Program



Structure of loans in the context of a use, as of 01.01.2016 (according to order volume)

Diagram No. 5



The analysis of loan structure in the context of goals showed, that the largest share is occupied by the loan, issued for housing and land purchase (61,44%). At the same time, a share of loan, issued for «housing purchase under SP 2008 - 2010, 2005 - 2007, amounts 19,53%.

The assessment of outcomes on the Bank's main activity for 3 - year period is shown in the following table:

Table No. 4

Indicator Name	Un. meas	Actual for 2013	Actual for 2014	Plan for 2015	Actual for 2015	Execution, %
Contracts on HCS	un.	106 579	178 986	155 000	224 703	145%
Crediting amount	mln. tenge	61 122	97 826	70 000	151 650	217%

The analysis of the Bank's main indicators for the specified period shows sustainable growth, both for concluded contracts on HCS, as well as for credit volume, that reflects demand, competitiveness and flexibility of the Bank Products in the Kazakhstan financial marketing.

Banking Commission

The bank has the right to levy commission and other charges for a conclusion of contracts on housing construction savings and other services of the Bank.

The Bank follows the police of setting minimum tariffs for its services. This policy is determined onto maximum attracting of new clients in the system of housing construction savings, and is widely used in the practice for product promotion in the market and enlargement of potential base of clients that, nowadays, is typical for the Bank's activity.

The improvement of conditions and procedures of servicing

1. Cancellation of the fee for issuing certificates on the state savings, loan accounts, the presence/absence of loan indebtedness and other certificates. Fee amount was 1000 tenge.

2. Amendment of the terms of provision of intermediate housing loans, based on the volume and timing of accumulation.

3. Reduction of the interest rate on preliminary housing loans under the Program for development of the regions till 2020, using budgetary funds from 8% per annum to 7.5% per annum.

4. Cancellation of the fee for the conclusion of contract of HCS for orphaned children being under guardianship and in foster care.

5. Amendments in lending rules in the part of:

- reduction of terms of consideration of credit applications at all stages of consideration, in this connection, the total period of consideration is reduced to 3 days;

- simultaneous consideration of the credit application by Bank divisions;

- development and introduction of the scheme for loan issuance upon the receipt of a statement of the authorized body on the acceptance of a mortgage agreement for registration;

- elimination of the requirement regarding the inspection of mortgage agreement, pledge agreement, guarantee contract and additional agreements to them by the lawyer (with the exception of verification of the pledge agreement after registration).

6. Simplification of procedures for formation of housing buyers and renters pool according to the Program for development of the regions till 2020

- cancellation the fee for submission of application for participation in the Program, as well as for the assessment of solvency. In financial terms – 15 000 tenge per transaction;

- reduction of the number of forms filled by the clients at the receiving documents for confirmation of solvency and registration of loan application. So, if earlier, in the assessment of solvency of applicants from «Young family» category it was required to provide salary certificate evidenced by a statement from the pension account, now the salary certificate is not required;

- change in rules of incomes confirmation. Now, at the change of job, it is required to con-

firm income for three months instead of six as previously. In particular, the necessity in revaluation of income by participants of the pools is eliminated;

- on the program «Housing for young families» - the compliance with the recommended schedule of monthly cumulative contributions or the early accumulation of house construction savings is deemed sufficient to demonstrate the solvency. In the short term – the confirmation of solvency at one-time contribution of 6-month investments;

- for tenants - young mothers who go on vacation for child care, the Bank has expanded the range of persons whose income can be a guarantee of solvency. Thus, if earlier, in mandatory order the income of one of the spouse was considered only, now the income of any of the relatives with the highest income is considered;

- accepting applications for participation in the pools is done 3 months before the completion of construction. In fact, the applicant, submitting the application for participation in the program, already sees the real house, assesses its possibilities for its further redemption, at the same time, the possibility of uncontrolled construction delay and therefore customer dissatisfaction is practically excluded;

- possibility for submission of electronic application is implemented for the participation in the pool of housing buyers via Internet. In this case, the registration of the application to the pool is made up immediately (online), with the assignment of the appropriate number to the application.

7. Introduction of IT technologies makes the work of the Bank more transparent. This especially touches on the work on the Program for development of the regions till 2020. The Bank's specialists develop software that will allow the clients independently to calculate the points for the participation in the pool of buyers of housing and to assess their capabilities. The project was launched, the work continues.

However, the order of calculating the points has been also changed. From November 3, 2014 for all new pools and additional involvement to the pool of buyers and tenants of housing the calculation of points is carried out according to the new formula, which is much easier and simpler than previous one.

For more transparent housing allocation under the Program for development of the regions till 2020 the order of apartment allocation is automated. The allocation is performed in «online» mode, data is immediately published on the website of the Bank.

Along with the improvement of existing conditions, the Bank carries out work on development and introduction of new products for population. Currently, the issue on creation of attractive conditions for receiving loans by the clients is worked out for the refinancing of mortgage loans of second tier banks (on the basis of cooperation with the STB on the existing mortgage portfolio with the purpose of refinancing through HCS system).

Also, considering the analysis of foreign experience of crediting housing cooperatives through the use of house construction savings system, the issue on introduction of the product for legal entities is worked out. The module on the service of legal entities is provided within the new banking information system.

Investment activity

Nowadays, for the Bank to hold its position in the market of banking services, its comprehensive development is necessary. Also, as well as another financial institute, the Bank pays a particular attention to the development of its investment activity, determined toward an efficient investment of available free cash funds in order to receive a guaranteed level of income and an increase of the Bank's assets.

As of 01.01.2016, financial assets of the Bank is 180 652 mln. tenge, including securities for 125 490 mln. tenge, inter-bank deposits 31 000 mln. tenge, REPO operations 24 162 mln. tenge.

Thus, a share of the government securities in the Bank's financial instruments is 51,8%.

Revenues for 2015 amounted to 13.7 bln. tenge against the planned 10,9 bln. tenge. In 2015, the rate of return of financial assets exceeded the goal by 2.32% mainly due to the increase in rates on interbank deposits and REPO transactions.

Evaluation of the results of financial activities of the Bank for 3 years period is presented in the following table:

Table No. 5

Name of indicator	Un. Meas.	Actual for 2013	Actual for 2014	Plan for 2015	Actual for 2015	Execution, %
Assets	mln. tenge	354 401	422 992	496 382	474 064	96
Equity	mln. tenge	96 680	108 182	114 519	107 582	94
Liabilities	mln. tenge	257 721	314 810	381 863	366 481	96
ROE	%	5,04	11,28	5,69	14,12	248
ROA	%	1,48	2,97	1,38	3,40	246
Deposit base	mln. tenge	192 534	247 560	315 170	296 956	94
Credit portfolio	mln. tenge	149 047	203 793	228 748	279 497	122

While maintaining the steady tendency of growth non-execution of the plan is observed for 2015 on the volume of assets (96%) and liabilities (94%), which in turn is explained by the implementation of the plan for the amount of the Deposit base by 94% (the deviation was 18 214 mln. tenge) that is stipulated by the following reasons:

1) high level of termination of contracts due to the transition to a freely floating exchange rate of the national currency;

2) extra fulfillment of the plan on the issuance of housing loans. For 2015 the actual volume of issued loans amounted to 45 451 mln tenge and at the plan - 33 485 bln. tenge, the execution was 136%.

7.2 Participation of the Bank in the implementation of State Programs in the Republic of Kazakhstan

Implementation of SP 2008–2010

In accordance with SP 2008 – 2010 the Bank was determined by the operator in its implementation. During the whole period of State program implementation, including SP 2005 - 2007, at the expense of budgetary credits as of 01.01.2016 there were granted 21 326 for the total amount of 67,4 bln. tenge, from which only in 2015 - 2 892 loans for the total amount of 6,1 bln. tenge.

Besides, at the expense of equity the Bank provided participants of State Program with 3 269 loans for the total amount of 4,4 bln. tenge, from which in 2015 – 1 853 loans for the total amount of 2,5 bln. tenge. The decrease of issuing amounts is connected directly with the end of the State Programs.

Program for development of the regions till 2020 (Affordable Housing – 2020)

Within the measures on the implementation of the “Regional Development-2020” Program (hereinafter – the Program) on two directions of the Program (“Housing for all categories of population” and “Housing for young families”) in 2015 6 558 families of the country received apartments, 404 thousand square meters of housing were commissioned.

On the direction “Housing for all categories of population”:

– between the Bank and the IMO in 2015, 41 cooperation agreement were signed for the construction of 52 houses, 5 059 apartments with total area of 282 thousand square meters in 14 regions;

– in 2015 on this direction 79 houses were commissioned in 15 regions (except for Mangystau oblast) with total area of 360 thousand square meters or 5765 apartments.

On the direction “Housing for young families”:

– between the Bank and the IMO in 2015 9 cooperation agreement were signed for the construction of 10 houses, with total area of 34,5 thousand square meters or 573 apartments in 5 regions;

– in 2015 15 houses were commissioned in 7 regions with total area of 44 thousand square meters or 793 apartments.

The Bank’s participations in social projects

It is necessary to point out the Bank’s participation in the implementation of social projects in cooperation with local executive authorities and orphanages.

In order to support socially unsupported classes of society, the Bank executes concluding contracts on housing construction savings for inmates of nursing organizations of the Republic

of Kazakhstan in the age under 21 years of old inclusively, who are orphans or who have not a parental care, without a charge of commission fee in the amount of 0,55% from a contractual price. The number of contracts on HSC with the inmates of nursing organizations under the results of 2015 made up 2 577 units, the total amount of savings according to the accounts - 3 992 mln. tenge.

Besides, the Bank, in order to provide a support in solving housing issues of inmates of nursing organizations of the Republic of Kazakhstan, has made the decision concerning the accepted preferential conditions of

crediting, which could be used by the nursery organizations' inmates of the Republic of Kazakhstan in the age from 21 up to 25 years old inclusively. At the end of 2015 the number of issued loans to the inmates of nursing organizations made up 1 unit for the amount of 4 483 thousand tenge.

The branches of the Bank from 2007, at the expense of the employees' funds, provide for the assistance to veterans and invalids of the Great Patriotic War, with presentation of essential commodities and the transfer of funds to Public funds of the participants and invalids of the Great Patriotic War.

7.3. Operating activities

Information development

The Bank pays great attention, in the development, to information-and-technical support of activity of its subdivisions.

The Bank carries out works on development of IT-infrastructure, which will be continued and 2016 also.

Work on development of the automated information system, with a view of improvement of functionalities and technical capabilities, and their bringing to conformity with the requirements of the tariff programs, and on expansion of its analytical capabilities, is carried out on a regular basis.

Following works have been executed with a view of increase of the level of automation and technical equipment of the Bank in 2015:

IT - optimisation of the procedures, connected with client servicing.

– The service in deposit replenishment, credit payment in the systems is introduced: personal

office in HCSB (E-pay), payment terminals of the «People's Bank of Kazakhstan» JSC, the Internet site Kaspi.kz, payment terminals Pay-Point.

– Payment procedure in payment terminals of the Bank is modified:

- Payment possibility under IIN (35 % of clients pay under IIN for the period from July till December, 2015);

- Abstract of account for last ten transactions;

- Indication of attachment, penalties to the account.

With a view of client servicing quality improvement, the system «Service and Quality Assurance Management», consisting of the task complex, is introduced. Including:

- «electronic waiting list» system;

- «on-line reservations» system. This service allows the clients of the Bank - the users of the personal office on the web-site of the Bank - to make remote reservation of queue in any branch and in the head office of the Bank, with selection of time at their own discretion.

Project realisation allows to provide the walkthrough the servicing time of the clients of the Bank and the analysis of the quality of service.

Automation of the Bank activities.

– Introduction of new Automated Bank Information System «Colvir».

– Reception of references and data from the electronic government portal:

- address reference;
- reference on real estate charge;
- reference on absence (presence) of real estate;
- data on marriage or divorce;
- passport data.

– Electronic registration of agreements on pledging of immovable property through the system E-notary. Over 500 agreements on pledge have been registered in total for half a year.

– Common format of filling of addresses in the system of management of business processes through integration with the address register of the Ministry of Justice of the RK.

– Use of card-readers in the business processes allows managers of the front-office to read out the data from the identification card, to accept payment for opening of the deposit account from the bank card of any Bank of the RK.

– Realization of the service in signing of the additional agreement on indemnification on the Portal of the electronic government of the RK. Over 70 thousand depositors have taken advantage of this service. Telephone numbers of the clients are updated at conclusion of the additional agreement.

It is planned for 2016:

– completion of works on transfer to ABIS «Colvir»;

– realisation of the second stage of introduction of the ABIS «Colvir» (budgeting, administrative reporting);

– system CRM reengineering;

– automation of process of purchase;

– realisation of type business processes of the Bank in the corporate portal (HR processes);

– integration with an external gateway of the electronic government for the purpose of transfer of the information on the payments of the Bank to the budget (Egov);

– promotion of the service of reception of references and data from Egov;

– new Internet-banking for clients;

– mobile-banking for clients;

– projects of development of the marketing network of the Bank;

– social network of advisers (opening of accounts for individuals, legal entities, additional agreements);

– development of the public-facing website of the Bank;

– projects of prompt notice of clients (SMS distribution, Whatsapp distribution);

– transfer of all channels of reception of payments into «online» mode;

Bank ratings

The Bank carries out work on support and increase of the rating for increase of financial and investment image on the regular basis.

The International rating agency Moody's Investors Service has confirmed the long-term depositary rating of the HCSBK in national currency at the level Baa3 in June 2015, thus, having raised the base rating of the credit status from ba3 to ba2, against general decrease in a macro profile of the country. The rating forecast is «Stable».

The Fitch Ratings (hereinafter referred to as the Fitch) has confirmed, in November 2015, the long-term foreign and national currency issuer default rating (hereinafter referred to as the РДЭ) of the Kazakhstan at the level «BBB +» and «A-», accordingly. The rating forecast is «Stable». The rating of the priority debenture bonds of the country in foreign currency is confirmed at the level «BBB +». The rating of the ceiling of the country is confirmed at the level «A-», and the short-term issuer default rating in foreign currency - at the level «F2».

The bank has the highest ratings among the second-tier banks of the RK.

The positive factors, influenced increase and reception of the rating of the Bank:

– important role of the Bank in the social policy realisation;

– expansion of the client base;

– considerable capital supplies;

– good quality of assets;

– sufficient «pillow» of liquidity;

– unique business-model.

Assignment of high ratings by two leading





international rating agencies opens high potential to the Bank on decrease in value of the resources, with the Bank can attract for increase in the rates of growth of the crediting in the future, as appropriate. Besides, rating increase has led to decrease in 2 times of the amounts of payments of the Bank to the Deposit Guarantee Fund of Kazakhstan. The Bank can use the funds saved thereby for crediting of the clients, thus, carrying out the primary social function - improvement of housing conditions of the population of Kazakhstan.

Development of business processes

With a view of improvement of quality of client servicing, the real-time service quality monitoring and assurance system functions in the Bank, which has been introduced within the subdivision of situational monitoring.

The major task of the subdivision is operational management of the client servicing processes in the branches through use of modern communications facilities in «online» mode (video surveillance systems in all branches, direct access to the Bank systems, the interactive provision of the information facilities, etc.), in particular:

- maintenance of the centralised supervision over client and potential clients of Bank servicing standards compliance;
- centralised processing and analysis of the information on quality of service from all sources of communications with clients;

- maintenance of organisation of clients' appeals processing (complaint, proposals, requests, acknowledgement of thanks, etc.);
- submission, to the management of the Bank, of the information by results of monitoring of the service quality processes for making the administrative decisions;
- improvement/development of the management and quality system (hereinafter referred to as the MQS).

The standard values of waiting time and servicing have been approved in 2015, therefore, the time indicators in the terminals of the electronic documents circulation system and on the business processes control card have been updated. Function of indication of data on the electronic documents circulation card, as new information becomes available, is realised.

Works on monitoring of operability of terminals, realisations of output of statistical data by results of monitoring of processes have been performed.

Process of monitoring of the time of decision-making on the credit application and loan granting is automated.

The output forms, providing unloading of statistical data on time indicators, credit applications from the business-processes control system in «off-line» mode.

The monitoring of the communication channel and equipment downtime by means of the software «Solar Winds», allowing to notify in proper time the concerned subdivisions on the failures, becomes possible.

7.4. Personnel development

The internal organizational structure of the Bank consisted of 27 independent subdivisions of the Central Office, 14 regional and 3 city branches, and 15 service centres, as of 01.01.2016. Actual number of employees of the Bank was 1 075 persons as of 01.01.2016.

The information on the quality structure of the employees of the Bank as of 01.01.2016:

- average age - 35 years;
- having, in % from the total number of employees:
 - academic degree of the candidate of science - 0,18 % (2 employees);
 - higher education - 97,1 % (1 044 employees);
 - secondary professional education^[1] - 2,9 % (29 employees).

One of the foreground tasks of the Bank is creation and maintenance of the staff, meeting the qualifying requirements of the Bank, focused on achievement of strategic targets and solution of the problems that face the Bank. Labour relations are regulated by the Rules of labour relations and internal labour regulations of the Bank according to the legislation of the Republic of Kazakhstan. Procedure of competitive selection to vacant positions in the Bank consists of the number of stages, including: identification of the manpower need, selection of candidates and resume analysis, screening interview, testing of skills of job candidates.

External training

External and internal training in the Bank is carried out since 2004 according to the Program of education and training of the employees and/or management of the Bank. The training contract is concluded with the employee, placed for training or professional development, at the expense of the Bank. The employee submits the report by the results of training to the supervising head, with conclusions, recommendations and proposals on improvement of practical activities of the Bank.

685 employees of the Bank (64 % from the total number of employees) have been trained externally in 2015. The percentage of the employees of the Bank, trained externally in

2014 is 67 %. 850 employees of the Bank have been trained internally; the percentage of the trained internally employees is 79 %.

Candidates' pool

Procedure of formation of the executive personnel pool is implemented in the Bank since 2008, according to the Rules of formation and training of the reserve of the executive personnel of the Bank, by revealing high-potential employees and organisation of their professional, and career growth.

Number of the employees in the personnel pool of the Bank was 89 employees in 2015, including, 5 employees have been transferred to a superior position, 3 employees have been excluded because of dismissal. The personnel pool includes 71 employee of the Bank at the end of 2015.

Personnel certification

Certification procedure is regulated since 2008 and actually is implemented in the Bank since 2009, according to the Procedure of certification of the personnel of the Bank, approved by the decision of the Executive Board of the Bank, with a view of definition of the level of professional training and competence of the employees of the Bank against job competence.

145 employees (100 % of the employees, subject to certification, and 13,5 % of the total number of the employees of the Bank) are certified in 2015. All employees of the Bank, subject to certification in 2015, have been certified successfully.

Testing of the front-office employees

Obligatory and intermediate testing of employees through the system of remote training has been carried out for testing and monitoring of the knowledge of internal documents (bank products, business processes, service standards, current events, sales technique) by means of technical education and training. 90 % of the employees of the front-office (pregnant women, employees, who were absent because of time invalidity and being on an annual leave, have been exempted from) have been tested in 2015. Average effectiveness on testing was 87 %.

^[1] According to the qualifying requirements of the Bank, higher education is not obligatory for the positions of «the specialists of the categories 2, 3 on the regime of the security subdivision», offices-managers, cashiers.

VIII. SYSTEM OF SALES AND SALE PROMOTION

Contracts of House Construction Savings Bank of Kazakhstan and loans are realised through the sales system of the Bank, which includes following participants:

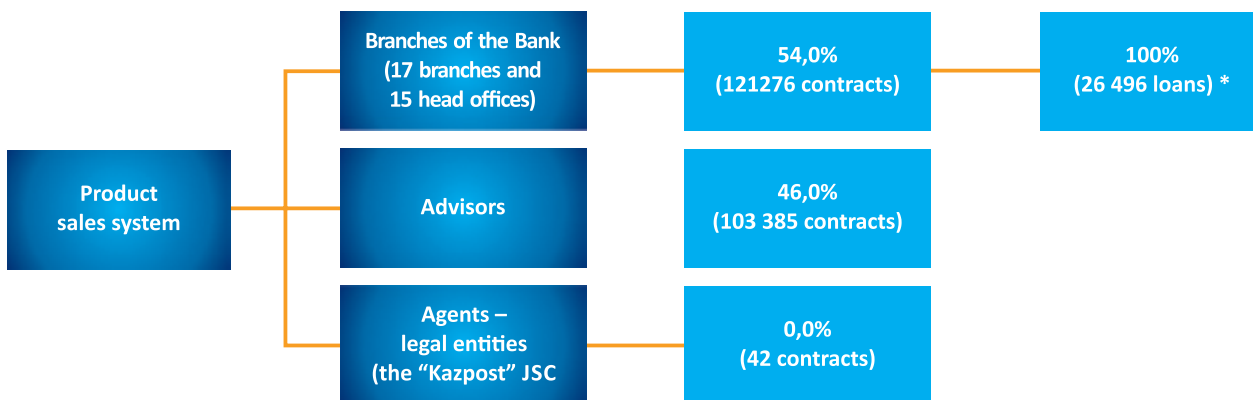
- the branches (regional, city branches) and the service centres;
- the advisers (the individual, rendering the agency services to the Bank in attraction of investors in the housing construction savings system, carrying out of advertising-awareness raising activities based on the agency contract of the civil-law nature, concluded between the Bank and the adviser);

- the agents - the legal entities - the «Kazpost» JSC and the «Halyk Bank of Kazakhstan» JSC (the organisations, rendering to the Bank the agency services in the frameworks of the agency contracts concluded).

The core participants of the product sales system, number of the contracts on housing construction savings concluded by them within 2015, in comparison with the similar indicators of 2014, are shown in the Diagram No.1:

2015

Diagram No. 1



Principal activity of all branches of the Bank enhancing growth within 2015, and continuation of granting of loans under the Program for development of the regions till 2020, has allowed the Bank to be ahead of schedule targets on loans granting.

Thus, of all the loans, which have been granted in 2015 (151,8 billion tenge), the loans on SP in 2005-2007 and in 2008-2010 are granted for the amount of 6,6 billion tenge (4,4 %), for purchase of the housing under the Program for development of the regions till 2020, 18,7 billion tenge (12,3 %) have been granted. The amount of the routine «market» loans, which have been granted under tariff programs of the Bank, has made 126,3 billion tenge (83,3 %).

Advisers' network

As of 01.01.2016, the number of advisers was 818 persons. The increase in number of advisers from 748 persons in 2014 to 818 persons in 2015 has been caused by aspiration to provide availability of products/services of the Bank all over the territory of the RK.

With a view of increase of operating efficiency of the network of advisers in 2015, the software «Social network of advisers», intended for support of non-staff advisers with a web-interface for filling of the electronic request for conclusion of the contract on housing construction savings, and registration of the additional agreement on increase of the

* loans are granted by the branches of the Bank only

amount of the contracts on housing construction savings, has been updated.

The share of the network of advisers in the quantity of the contracts, concluded in 2015, has made 46 %, at the planned target of 40 % of total contracts concluded. In 2016, the planned share of the agency network is established at the level of 50 %.

The new system of motivation of advisers, taking into account ranking of the network and payment, depending on personal efficiency of the adviser (the calculation of compensation of the advisers has been modified since June, the saving has made 1,7-2,3 million tenge per month) is developed and approved.

The Regulations about the agency network arrangement have been amended in regard to payment of compensation for inflows, and the calculation of compensation to advisers for inflows is automated.

For the purpose of assistance in client servicing in the frameworks of realisation of government/regional programs, participation of advisers in consultation, with accommodation in the branches of the Bank and with payment of the fixed rate, is provided.

Motivational meetings with advisers/advisers-leaders with rewarding of the best sellers from among the network of advisers of the Bank on the Rating of Kazakhstan have been held in February and July, 2015. The main message of the events has been completely focused on increase of inflow under the contracts of House Construction Savings Bank of Kazakhstan. The objectives are set for 2016, and the results of the last half-year of 2015 are summarized. The presentation of introduction of the new food product concept, the improved business processes and the updated service of the Bank has been conducted. The trainings on the subjects - «Skills of management. Technique of development of subordinates. Technique of sales of the Bank's products» and «Breakthrough to personal efficiency» have been carried out.

With a view of professional development of the advisers of the Bank, and increase of their efficiency, the technique of assessment of working advisers of the Bank (including development of assessment sheets, situational cases, and test items) is developed and introduced in 2015. The

assessment of working advisers, with compilation and issue of individual development plans, has been carried out by results of the development. 459 agents from among 702 participants in 17 branches have passed the certification successfully, by results of assessment of advisers. Besides, the technique of assessment of candidates in advisers at the stage of selection and hiring, which will be realised in 2016, has been developed with participation of the consulting company.

Contact-centre

As a whole, 406,7 thousand calls from clients has been processed in 2015 that is on 135,4 thousand calls or in 1,5 times more than calls number in 2014. The calls processing subdivision has processed - 8,3 thousand appeals.

About 270 thousand calls have been made (on the requests on the site, on service quality, on events, on account replenishment, problem borrowers, on PTP/sequestration/collection order).

The Bank has rendered the following services:

- «Call-back»: calls to 4,4 thousand clients have been made within this service;
- «Power dialling»: 213 thousand automatic calls have been to inform the clients on loan delinquency, acknowledgement of target purpose and prolongation of contracts of insurance;
- «Chat»: 40 945 chats-connections are served from the Bank's site in 2015.

The work on improvement of services quality through use of the data from Remote Work Place (BPM) software at service of calls, and on activation of use of IVR capabilities, has been executed in 2015; in this connection the settings of the answering machine had been changed that has raised awareness (the information concerning compensation has been heard by the clients for 95 thousand times).

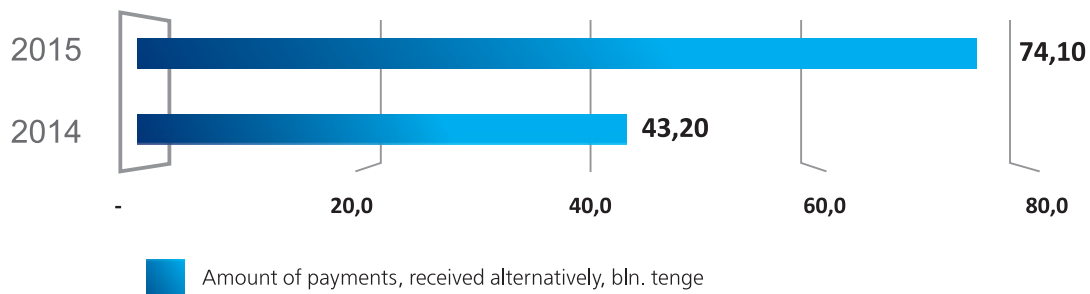
Moreover, the working hours of client servicing by the Contact-centre are prolonged. Action is executed without the staff number increase, the work mode is increased on 20 % since December, 2015. Contact-centre operates from 9-00 AM till 08-00 PM on work days, and on Saturday - from 9-00 AM till 02-00 PM.

Alternative ways of reception of payments

Following the results of 2015, 74,1 billion tenge have been received through alternative channels of payment that has made 41,35 % of the total amount of all money receipts in the amount of 179 billion tenge. In 2014, this indicator has made 43,2 billion tenge or 30 % of the total amount of all money receipts in the amount of 145 billion tenge. At present, the follow-

ing enterprises carry out the money receipt and transfer service in favour of the Bank: the «Hal-lyk Bank of Kazakhstan» JSC, the «Kazpost» JSC, the «Kazkommertsbank» JSC, the «BTA» JSC, the «Eurasian Bank» JSC, the «KaspiBank» JSC, the portal «E-gov», terminals and cash desks of the «PayPoint» LLC.

Data on payments with use of alternative ways of reception of payments in 2015 are shown in the Diagram No. 4.



It is planned in 2016 to increase the share of the payments, effected in the alternative way of payment, including through the agency network of legal entities and payment terminals of the Bank, up to 50 % of the total amount of all money receipts in the Bank.

Advertising and PR-activity of the Bank

In 2015, the following advertising and PR-activity has been carried out:

- video clips TV broadcasting - 2 919;
- audio advertisement on republican radio - 475;
- 791 publication, intended to provide information and clarification, have been published in periodical publications in the cities of Almaty and Astana, and regions of Kazakhstan;
- 1 420 materials has been posted on Internet portals of the information sites;

- interactive games on knowledge of the system HCS - 26 programs are spent. New contracts have been concluded following the results of the event;

- 258 information materials on 129 billboards across all Kazakhstan are placed;
 - 178 TV spots have been shown on local and state TV channels;

- information materials are arranged in municipal transport (underground and buses)
- preview trailers about the Bank have been shown on 1 553 monitors, and 1 148 advertising stickers have been placed on 287 buses;
 - 1729 references to Bank on TV, in printing and online media at the initiative of mass-media and IMO have been made;

- 7 333 800 units of advertising printed products in the form of brochures, booklets, leaflets, posters, stickers, etc. have been designed, produced and sent to the branches;

- the advertising concept of the Bank is deve-

veloped. The scenarios of video clips and audio advertisement has been developed based on it, in which the idea has been divided into three different segments of target audience: men, women and youth. Video and text presentation has been developed for each target audience;

– scenarios are developed and 2 video clips in the form of the instruction on signing of the additional agreement for reception of the compensation and online service in the Bank are produced. The procedure of registration of necessary documents, on online service are described step-by-step on the site of the electronic government E-gov and on the external site of the Bank. The terminals and the partners of the Bank are mentioned in the video clip.

In 2015, two field sessions of the Community Board under the Housing construction savings bank in Astana have been held. The members of the Board endeavoured to solve the problem with protracted construction (the facility is located on the crossing of the Sauran Street and No. 24) at the sessions. People could not move into the house during two years. Members of CB managed to solve this issue of concern. The building have been brought into operation in the end of 2015, and people received the keys from apartments as a result.

Besides, the members of the Community Board, Messrs. S. Matayev, S. Ponomaryev, S. Tunik make statements repeatedly in mass-media as speakers and experts on housing issues.

Moreover, the number of information campaigns with participation of the top-managers

of the Bank for explanation of the measures on compensation of the difference of exchange and the Bank privatisation to the investors have been conducted in 2015.

The press-conference with participation of the Chairman of the Board of the Bank on the subject of: «Payment of compensation to investors and privatisation of the HCSBK», has been held on October 2nd, 2015. The representatives of the Kazakhstan mass-media have received irrefragable answers to all questions on the Bank activity at the press-conference.

Fifteen interviews with the directors of the branches of the Bank have been published for building of trust of the population, and with a view of explanation of the specifics of the system of House Construction Savings Bank of Kazakhstan and the Bank' products. The Bank management repeatedly made statements with comments in talk-show, «hot-lines», in news pieces of the news releases and programs on TV channels: Khabar, Mir, Kazakhstan, Astana, channel 31, Almaty, CTV, 24 kz, KTK, First channel Eurasia, and in the programs of the Kazakh radio.

As a result of the work done, the number of critical statements to the address of the Bank was reduced in 5 times. According to the portal Nur.kz, the Housing construction savings bank became the absolute leader following the results of independent voting of the users of the site in the autumn 2015.

Results of the marketing research in the end of 2015 have demonstrated that 86,10 % of total number of respondents give credence to the Bank (in 2014 - 80,25 %, in 2013 - 58,3 %).

IX. RISK MANAGEMENT POLICY AND INTERNAL CONTROL SYSTEM

The Bank's internal control system has been formed in accordance with the requirements of both existing laws and generally accepted international practice. The established internal control system is multi-layered and includes all divisions of the Bank. The participants of the Bank's internal control process are determined on the basis of three lines of defence.

The first line of defence is being provided by the structural divisions of the Bank representing the controls that were developed to provide the correct performance of routine operations by various divisions of the Bank. The controls are being developed by business divisions and are an integral part of business processes aimed to minimize risks and comply with the requirements of internal documents, as well as to comply with external regulatory requirements. Management and monitoring of controls are carried out by the divisions, which implies the ability of business divisions to identify risks, weaknesses of business processes, possible unforeseen events and to respond thereto in a timely manner.

The second line of defence is provided by an independent risk management department, compliance control, a legal department, safety department. As one of the main elements of the second line of defence, the risk management department ensures an adequate level of control through determination of a procedure for assessment of risks (credit, financial, operational), performance of regular independent monitoring of risks for the purpose of effective risk management at the level of the first line of defence and rendering assistance to business units in provision of compliance with

the regulatory requirements in their respective areas of activity.

The third line of defence is provided by the internal auditor department independent assessment of effectiveness of the bank's internal control system. The Internal Audit Service evaluates the risk management and internal controls system. The audits cover both the first and second lines of defence ensuring thereby the assessment of effectiveness of the overall risk management and internal control system in the Bank.

The management system of the Bank in the field of risk management is aimed at forming an integral system corresponding to the nature and scope of the Bank's activities and its risk profile, as well as meeting the needs of further development. The strategic objectives of the risk management system are based on timely identification of risks, qualitative assessment of all factors and integrated response with the aim to minimize a possible impact. The key issues related to risk management are considered, approved or agreed upon by the committees operating under the Board of Directors and the Management Board. The Board of Directors is responsible for strategic guidance of the Bank's activities in terms of internal control and risk management, and approves and periodically reviews the policies.

Risk management

Impact assessment of current risks² to the Bank's capital adequacy level is presented in the following table.

Table 6

Standard	fact 01.01.2016	with account for current level of risk	deviations from existing level
1	2	3	4 = 3 - 2
k1-1 (min. 0,05)	0,401	0,387	-0,014
k1-2 (min. 0,05)	0,401	0,387	-0,014
k2 (min. 0,10)	0,401	0,387	-0,014

² Include credit, operating, market and liquidity risk.

Capital adequacy level with account to current aggregate risk level will decrease by 0.014 on all coefficients, however, its value will be above the minimum requirements of the regulator because of the large amount of equity (106.4 billion tenge).

The results of the conformity assessment activities of the Bank and the current risk profile acceptable risk level is presented in the following table.

Table 7

Risk name	the current risk level as at 01.01.2016	acceptable risk level	acceptable risk level
1	2	3	4 = 3 - 2
Credit risk	2 473	8 322	5 849
credit portfolio	1 290	4 740	3 450
interbank deposits	681	2 057	1 376
non-government securities	502	1 525	1 023
Operating risk	85	11 663	11 578
Market risk	928	2 734	1 806
interest risk	915	2 125	1 210
currency risk	10	600	590
price risk	2	8	6
Liquidity risk	185	423	237
Aggregate risk level	3 672	23 141	19 469

The current aggregate risk level as of 01.01.2016 is 3.7 billion tenge, within an acceptable risk level, has degree of safety in 19.5 billion and is only 15.9% of the acceptable risk level.

There is a risk management system in Bank aimed to fulfill the Bank's development strategy, obtain scheduled profit and ensure its sustainable ongoing operation.

Financial risks

Gap liquidity as of 01.01.2016 is described in the table below.

Table 8

	to be called for	[0-7D]	[1W-1M]	[1M-3M]	[3M-6M]	[6M-12M]	[1Y-2Y]	[2Y-3Y]	[>3Y]	Total balance
Assets	4 155	7 044	30 925	13 297	12 510	46 328	78 181	78 772	202 853	474 064
Liabilities	2 389	1 342	12 357	18 301	24 271	42 463	70 297	91 116	103 945	366 481
Contingent liabilities			2 576	5 152	7 728	10 303				25 759
GAP	1 766	5 702	15 992	-10 156	-19 488	-6 439	7 884	-12 345	98 907	81 824
Cumulative GAP	1 766	7 468	23 460	13 304	-6 184	-12 623	-4 739	-17 084	81 824	
Cumulative GAP/ Assets	0,4%	1,6%	4,9%	2,8%	-1,3%	-2,7%	-1,0%	-3,6%	17,3%	

During GAP liquidity drawing up the following assumptions were used:

- all assets and liabilities are allocated by time slots in view of the ultimate maturity;
- contingent liabilities are allocated on the basis of granting of housing loans per month (excluding the previously granted preliminary and temporary loans);
- overdue loans are allocated at the rate of termination of 1 billion tenge per month.

The maximum negative value of the cumulative GAP ratio to total assets is accounted for an interval of 2-3 years and amounted to 3.6%. The Bank complies with the approved internal limits for 2015 at a rate of >-20%.

Negative cumulative gap in the range from 181 days to 1 year in the amount of -12.6 billion tenge can be overridden by conducting repo operations (6.4 bln. tenge) and raise funds under open limits for bank (6.4 bln. tenge).

According to conventional banking practice the government securities are considered to be liquid assets and may be placed in the schedule maturities of assets in the range of «up to 7 days». However, given the current market situation where the govern-

ment securities liquidity is limited by the financial market the securities are allocated by maturity.

- The resulting negative gaps are caused by:
- accumulation of clients' funds with overdue contractual terms in the amount of 70.9 billion tenge, 25.8 billion tenge of which are funds reached estimated figures and 45.2 billion tenge are under estimated figures;
 - reduction of assets due to payment of dividends in the amount of 3.7 billion tenge;
 - increase of clients' housing constructions savings for 11 billion tenge.

If necessary, the bank may raise funding from clients by means of:

- repo operations conducting;
- interbank borrowings;
- securities sale (with possible discount).

In addition, for 2015 the Bank carried out a number of measures to improve liquidity conditions and increase the attractiveness of banking products in particular:

- suspended the moratorium prepayment of loan;
- raised requirements for «Net comprehensive income» rate by loans;

- raised mortgage security requirements;
- ran «Deposit refill bonus» campaign;
- tightened requirements for Bank's lending areas on intermediate and preliminary loans;
- introduced estimated figure for intermediate housing loans.

In 2015, there were developed and approved the following internal documents:

- Investment Policy of «House Construction Savings Bank of Kazakhstan» JSC;
- Instructions for managing «House Construction Savings Bank of Kazakhstan» JSC counterparties limits;
- Regulations for monitoring of factors affecting the deterioration of the financial situation of «House Construction Savings Bank of Kazakhstan» JSC;
- Borrowing regulations of «House Construction Savings Bank of Kazakhstan» JSC;
- Regulations for market risk management of «House Construction Savings Bank of Kazakhstan» JSC;
- Regulation concerning Asset and Liability Management Committee of «House Construction Savings Bank of Kazakhstan» JSC;
- The financing plan for counterparties of «House Construction Savings Bank of Kazakhstan» JSC;
- Procedure for risk aggregation of «House Construction Savings Bank of Kazakhstan» JSC.

Activity on development of new forms of reporting on financial risk management was performed.

Credit risks

In 2015, the Bank had performed work on implementation of decision-making centers (DMC) concept. Risk Management Department carried out centralization of branch risk-managers in Central Office of the Bank which is ensured independence of credit risk assessment and decision-making on credit applications of risk managers involved in the loan process of the Bank. Under DMC concept there are amended composition of Credit Committees of the Branches and developed procedure for underwriting of loan applica-

tions. Verification of applications for compliance with credit limit is automated in banking information system (limit on Credit Committee of the Branch and limit on total liabilities per borrower).

Also the Bank performed work on management of the Bank's credit risk under of which there have been developed and updated:

- Procedure for credit risk management;
- Collateral policy;
- Regulation on procedure of interaction with appraisers;
- Methodology for creation of provisions (reserves);
- Regulation on Risk Management Department;
- New methodology for calculation of provisions in accordance with IFRS (IAS) 39 based on application of default probability coefficient (DP), overdue loans loss (OLL).

At the end of 2015 the share of provisions established in accordance with IFRS amounted to 0.46% of the credit portfolio, the share of 10 large loans of the Bank was 0.25% of the Bank's credit portfolio which indicates the absence of risk of credit portfolio concentration. In the collateral structure the share of real estate amounted to 89.2% of the total collateral. The total weighted average coefficient W/C (LTV-credit/collateral) is 41.7% which reflects the conservative collateral policy.

Operational risks

Operational Risk Management System (hereinafter - ORMS) is established in the Bank in accordance with requirements of both current legislation of the Republic of Kazakhstan and generally accepted global best practices. In order to ensure the effective functioning of ORMS, according to requirements of the Rules of establishment of management and internal control systems for the commercial banks approved by Resolution of the Board of the National Bank of the Republic of Kazakhstan № 29 dated 26.02., the Bank has introduced ORMS based on three lines of protection, including all divisions of the Bank.

On recommendation of the «Baiterek» NMH» JSC by internal ORMS requirements there are developed and approved the following internal documents:

- Procedure for construction of risk maps;
- Procedure for determination of business processes, risks inherent to them;
- Directions for application of key risk indicators in operational risks management;
- Procedure for capital reservation for operational risks;
- Directions for compiling and maintaining a database of operational risk losses and events.

The Bank in order to measure operational risk level and its assessment updates on a regular basis the following basic tools:

- 1) Collection and analysis of internal database of operational risk losses and events;
- 2) Collection and analysis of external database for losses;
- 3) Self-assessment of operational risk;
- 4) Use of key risk indicators;
- 5) Description (regulation) of the Bank's business processes;
- 6) Use results of audits;
- 7) Scenario analysis;
- 8) Comparative analysis;
- 9) Risk Map.

Since 2015 for the purpose of operational risk management the Bank put into operation at the system of collection and provision of structural divisions of the Bank with information on identified operational losses with a centralized maintenance of analytical «Database of operational losses and events». Risk coordinators identify and monitor operational risks (ORMS first protection line) in divisions on main and supporting business processes.

Operational Risk Management of Risk Management Department conducts monitoring of the main ORMS tools for determination of potential sources of operational risk and its assessment.

The Bank on a regular basis monitors the taken risks level and their compliance with acceptable risk levels. According to results of management reports review provided by the Bank's structural divisions, the Bank's regulatory bodies carry out regular risks assessment

affecting the achievement of goals, changing circumstances and conditions and risk management rule-making. Information on management reports is provided to the Board of Directors / Board of the Bank on a quarterly / monthly basis.

Compliance risk

The main purpose of compliance risk management is to minimize and / or maintain an acceptable level of compliance risks such as occurrence of Bank's financial losses and applying legal sanctions to it due to non-compliance with requirements of legislation of the Republic of Kazakhstan, normative legal acts of the authorized body, internal documents and procedures of the Bank as well as the legislation of foreign states affecting Bank's operations and recognized by the Republic of Kazakhstan.

Division of Compliance-control provide monitoring of changes and additions to Kazakhstan legislation in order to ensure compliance of the Bank activities with legislation of the Republic of Kazakhstan. The Bank amended and updated 150 internal documents, developed 102 new internal document.

The compliance control division and the internal audit department exercise internal control on a regular basis, which allows the Management Board of the Bank to detect on a timely basis: incorrect, incomplete or unauthorized transactions; defects in the work aimed to ensure the safety of assets; errors in the preparation of financial and regulatory reporting; violations of the Bank's internal documents and the laws of the Republic of Kazakhstan, as well as to prevent conflicts of interest and domestic abuse related structures.

In order to manage the compliance risk the Bank considered appeals (complaints) from customers with respect to the validity of claims received and elimination of the revealed discrepancies. For 2015 the Bank received and examined 647 complaints (claims) from individuals. All clients' com-

plaints were investigated within established deadlines and in each of them was provided with explanation written responses, with respect to employees of the Bank there have been conducted explanatory work on improving the quality of advisory and banking services.

Particular attention was paid to the enforcement of the laws of the Republic of Kazakhstan in the area of fighting against legalization (laundering) of proceeds of crime and terrorist financing (hereinafter - AML/CFT). In accordance with the law of the Republic of Kazakhstan «On counteracting legitimization (laundering) of proceeds of crime and terrorism financing», No.191-IV dated 28.08.2009, in 2015 the Bank carried out necessary follow-up actions to requirements of the legislation.

During 2015, the Bank sent 7,566 messages to the Financial Monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan (hereinafter - "FMC") with regard to the transactions subject to financial monitoring. There was conducted work on implementation of the AML/CFT module for new «ColvirBankingSystem 3+» Bank ILS intended for detecting operations subject to financial monitoring, including suspicious ones of the total number of operations conducted in the banking system, in accordance with the requirements of the legislation of the Republic of Kazakhstan on AML/CFT.

The Bank follows the "know your customer" principle, which is an effective mechanism to fight against criminal activity and is implemented in accordance with the requirements of regulators as well as national and international standards of confidentiality.

In order to comply with the legislative requirements in respect of transactions concluded with parties having special relations with the Bank, the Bank keeps a register of persons associated with the Bank through special relations, which is submitted to the Board of Directors for certification on a monthly basis. Pursuant to the laws of the Republic of Kazakhstan, transactions with persons having special relations with the Bank were concluded after their approval by the Board of Directors of the Bank.

For the purpose of effective management of the compliance risk, the Management Board together with the compliance control division carried out work for identification and evaluation of problem related to the occurrence compliance risks, approved an action plan for their elimination/mitigation and monitored its implementation.

Dynamics of implementing profitability indicators

Profitability indicators by years are given in Table:

Table 9

Name	2014	2015
ROE (ratio of profit to capital), %	11,28	14,12
ROA (ratio of profit to total assets), %	2,97	3,4

In 2015 profitability indicator on equity and assets is increased compared to 2014. Overfulfilment of profitability indicators of is due to overfulfilled plan on net income for 140% or 8 895 million tenge.

X. CORPORATE GOVERNANCE SYSTEM

Corporate governance is a set of processes ensuring management and control over the activities of the Bank and including the relations between the Sole Shareholder, the Board of Directors, the Management Board, other bodies of the Bank and stakeholders in the interests of the Sole Shareholder.

The Bank considers the corporate governance as a mechanism for enhancement of efficiency, strengthening the reputation, reducing the cost of capital raising, as its contribution to ensure the rule of law in the Republic of Kazakhstan and a factor that determines the place of the Bank in the modern economy and society as a whole.

The corporate governance system of the Bank is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. An effective corporate governance structure implies the respect for the rights and interests of all parties interested in the Bank's activities and promotes successful activities of the Bank, including the growth of its value and maintenance of its financial stability and profitability.

Relations between CP participants in the Bank are regulated by internal documents of the Bank, developed on the basis of international practice in the field. The corporate governance structure of the Bank is in compliance with the laws and defines the division of responsibilities between the bodies of the Bank.

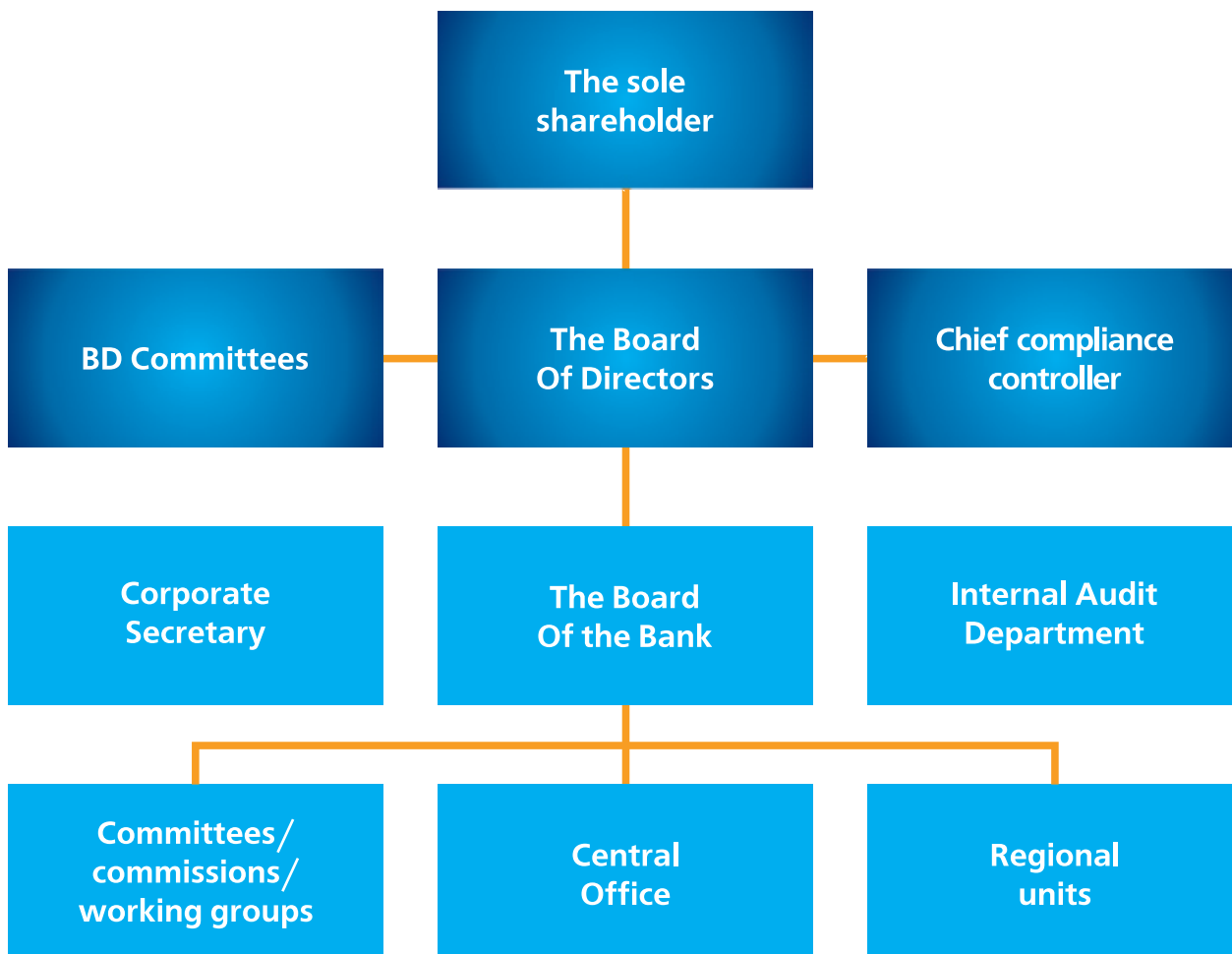
Principles of corporate governance of the Bank in accordance with the code of corporate governance of the Bank are:

- 1) The principle of protection of the Sole Shareholder's rights and interests;
- 2) The principle of effective management of the Bank by the Board of Directors and the Management Board;
- 3) The principle of the Bank's independent activity;
- 4) The principles of transparent and objective disclosure of information on the Bank's activities;
- 5) The principles of legality and ethics;
- 6) The principles of an effective dividend policy;
- 7) The principles of an effective personnel policy;
- 8) The principle of environment protection;
- 9) The principle of fair settlement of corporate conflicts and conflicts of interest;
- 10) The principle of responsibility.

In the 2015 the Bank's internal audit Department conducted diagnosis of corporate governance of the Bank for compliance with best international practice. According to results of diagnostics developed an action plan to improve corporate governance system, which was approved by the decision of the Board of Directors of 26.06.2015 (Protocol No. 9). Total matching levels of corporate governance of the Bank the best world practice amounted to 46.4%. On identified shortcomings were provided 60 recommendations.

In accordance with the best practices of corporate governance on its own assessment of the activities carried out by the Board of Directors and the assessment of the work of the members of the Board of Directors for 2015.

Corporate governance structure



Transparency of the Bank and effectiveness of information disclosure processes.

The Bank aims to ensure the principles of reliability, trust and high quality in relationships with clients and partners, business transparency and corporate management. Information resources of the Bank meet the requirements of openness and accessibility. In November 2015, the Law of the Republic of Kazakhstan No. 401-V «On access to information» was signed. This Law regulates social relations arising as a result of implementation of constitutional right of each person

to have a free access to the information and distribute this information by all means not prohibited by law. In order to implement the requirements of this Law, the data on Internet resources of the Bank (Bank’s external web-site, social networks) was supplemented, updated and detailed. Thus, the Bank’s external web-site provided additional information on the activities of the Bank, informational resources and service, operation of the Bank, statistical/analytical data, laws and regulations, etc. Detailed information on external web-sites of the Bank is monitored/updated by the responsible divisions - information owners.





XI. PERFORMANCE RESULTS OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

In 2015, the Board of Directors of the Bank arranged and held 20 meetings, including: 14 meetings in presentia and 6 meetings in absentia. Considered 237 issues on which decisions were made: 206 – in presentia, 31 – in absentia.

During the reporting period, the Board of Directors studied and approved the organizational structure of the Bank, Budget of the Bank for 2015, effectiveness charts of the Chairman and members of the Management Board and execution of corporate KPI in 2014, remuneration of the Chairman and members of the Management Board according to the work results of 2014, the Program for implementation of house construction projects through the placement of deposits of the Bank, the Code of business ethics, Human Resources policy, Rules of certification of the main compliance controller, Corporate Secretary, employees of the internal audit division, the Program of measures for restructuring the loans granted to borrowers, the work plan and schedule of meetings of the Board of Directors for 2016, corporate key performance indicators (KPI) of the Bank and KPI of members of the Management Board for 2016, budget for 2016, the Development plan of the Bank for 2014-2018 as amended, the compliance program for 2016. In addition, the powers of a member of the Management Board were terminated, new member of the Management Board was elected and number of members of the Management Board was determined.

The Board of Directors approved the new version of 31 internal documents and amended 40 internal documents of the Bank.

The following was considered on a quarterly basis: reports of the Management Board, reports on implementation of the Bank's Plan of development for 2014-2018, the budget and profitability indicators, reports on the work of divisions reporting to the Board of Directors, management reporting and reports in accordance with the resolution No. 29 of the National Bank of the Republic

of Kazakhstan dated 26.02.2014, information on implementation of decisions of the Sole Shareholder and the Board of Directors.

Each month, the Board of Directors verified the register of parties having special relations with the Bank and approved transactions with parties having special relations with the Bank (24 transactions).

The following four committees reporting to the Board of Directors operate since January 1, 2015:

1. The Audit Committee;
2. The Risk and Internal Control Committee;
3. The Strategic Planning Committee;
4. The HR, Remuneration and Social Issues Committee;

The Audit Committee of the Board of Directors

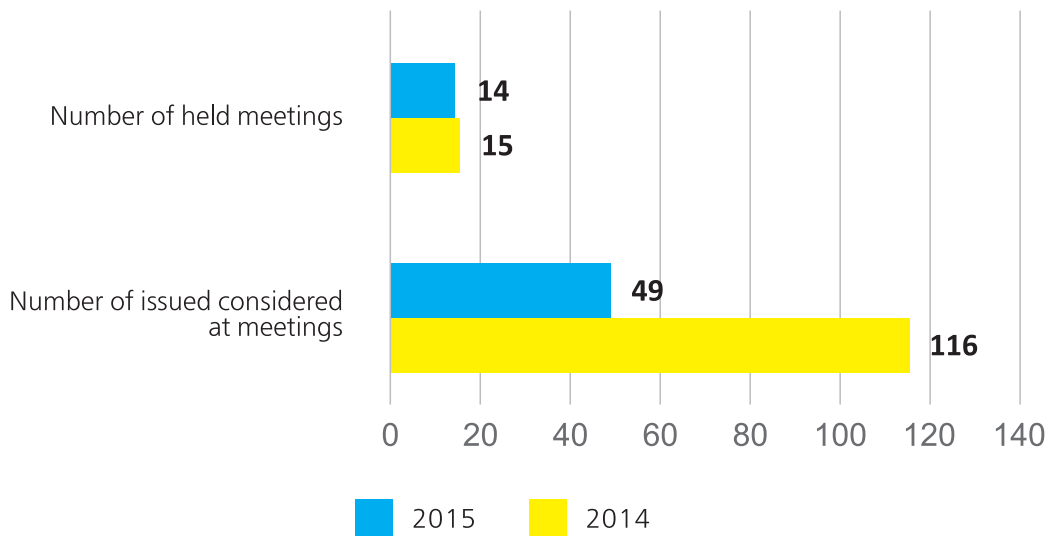
The Audit Committee of the Board of Directors (hereinafter - «Committee») is a consultative and advisory body of the Board of Directors established to consider the most relevant matters. All proposals developed by the Committee are recommendations submitted to the Board of Directors of the Bank.

The Committee was established to facilitate the effective implementation of monitoring functions of the Board of Directors. The Committee monitors the preparation of financial statements of the Bank and provision of accuracy and completeness of the Bank's financial reporting, monitors independence of the internal and external audit.

The Committee reports to the Board of Directors and operates within the powers granted by the Board of Directors of the Bank and the Regulation on the Audit Committee of the Board of Directors.

In 2015, the Audit Committee held 14 meetings in presentia, considered 49 issues and gave 49 instructions for the issues considered.

Chart 7



The Strategic Planning Committee of the Board of Directors

The Strategic Planning Committee of the Board of Directors (hereinafter - the «Committee») is a consultative and advisory body of the Board of Directors established to consider the most relevant matters issues. All proposals developed by the Committee are recommendations submitted to the Board of Directors of the Bank.

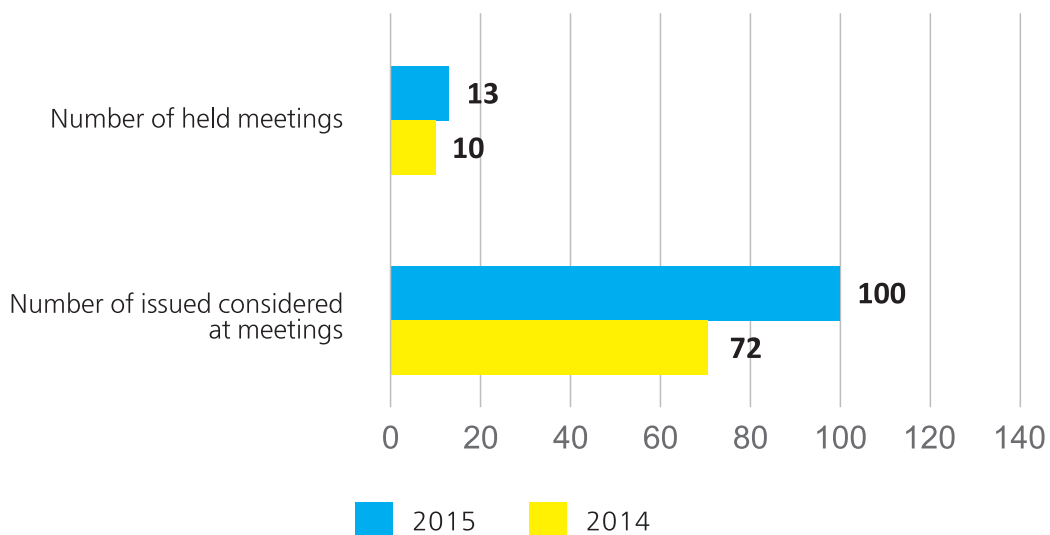
The Committee was established to facilitate the effective implementation of monitoring functions of the Board of Directors, prepare

recommendations on the prioritizing of activities and strategic objectives, as well as the development of activities enhancing the effectiveness of the Bank.

The Committee reports to the Board of Directors and operates within the powers granted by the Board of Directors of the Bank and the Regulations on the Strategic Planning Committee of the Board of Directors.

In 2015, the Strategic Planning Committee of the Board of Directors held 13 meetings in presentia, considered 100 issues and gave 100 instructions for the issues considered.

Chart 8



The Board of Directors HR, Remuneration and Social Issues Committee

The Personnel, Remuneration and Social Issues Committee of the Board of Directors (hereinafter - the «Committee») is a consultative and advisory body of the Board of Directors established to consider the most relevant matters. All proposals developed by the Committee are recommendations submitted to the Board of Directors of the Bank.

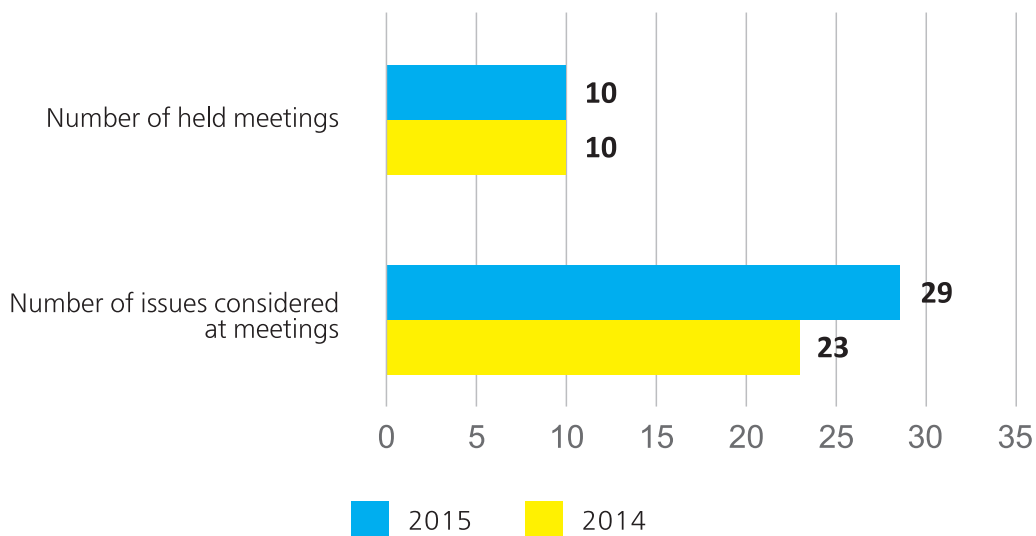
The Committee was established to facilitate the effective implementation of monitoring functions of the Board of Directors, prepare recommendations on the matters of personnel

policy, election (appointment), remuneration of senior officers and employees of the Bank appointed by the Board of Directors of the Bank and increase the effectiveness of the Bank in relation to the social issues.

The Committee reports to the Board of Directors and operates within the powers granted by the Board of Directors of the Bank and the Regulation on the Personnel, Remuneration and Social Issues Committee of the Board of Directors.

In 2015, the Personnel, Remuneration and Social Issues Committee held 10 meetings in presentia, considered 29 issues and gave 29 instructions for the issues considered.

Chart 9



The Board of Directors Risk and Internal Control Committee

The Risk and Internal Control Committee (hereinafter - the «Committee») is a consultative and advisory body of the Board of Directors established to consider the most relevant matters. All proposals developed by the Committee are recommendations submitted to the Board of Directors of the Bank.

The Committee was established to facilitate the effective implementation of monitoring functions of the Board of Directors, prepare

recommendations on the prioritizing of activities and strategic objectives, as well as the development of activities enhancing the effectiveness of the Bank.

The Committee reports to the Board of Directors and operates within the powers granted by the Board of Directors of the Bank and the Regulation on the Risk and Internal Control Committee of the Board of Directors.

In 2015, the Risk and Internal Control Committee held 13 meetings in presentia, considered 58 issues and gave 58 instructions for the issues considered.

XII. PERFORMANCE RESULTS OF THE MANAGEMENT BOARD

The executive body of the Bank is the Management Board of Directors acting on the basis of the Regulation on the Management Board approved by the Board of Directors.

The Management Board manages current activities of the Bank.

The Management Board acts on behalf of the Bank, including representation of its interests and implementation of transactions in the manner prescribed by the current legislation of the Republic of Kazakhstan and the Charter, approves the staff schedule of the Head Office, branches, representative offices and issues decisions (resolutions) and instructions obligatory for all employees of the Bank.

As at January 1, 2016, the Management Board consists of Chairman of the Board and five Deputy Chairmen of the Management Board.

During the reporting period, the Management Board of the Bank made decisions on all issues of the Bank's activities, which were not attributed to the competence of the Sole Shareholder and the Board of Directors of the Bank by the applicable legislative acts of the Republic of Kazakhstan and the Charter, including:

- management of operational activities of the Bank, ensuring implementation of decisions of the Sole Shareholder and the Board of Directors of the Bank;
- submission of high-priority activity areas to the Board of Directors of the Bank for inspection;
- adoption of internal documents of the Bank, except for the documents to be approved by the Sole Shareholder and the Board of Directors of the Bank, by the legislation of the Republic of Kazakhstan and the Charter of the Bank;
- preparation of the annual financial statements;
- preparation of the annual report of the Bank;
- approval of the staff schedule of the Bank, including the Head Office, branches, repre-

sentative offices complying with the staff (total amount) and organizational structure approved by the Board of Directors;

- organization of the remuneration system, amount of salaries, bonus issues, moral and material incentives for employees of the Bank, industrial and social development of the staff of the Bank, except for the determination of amount of salaries, remuneration conditions and bonuses for the Chairman and member of the Management Board, employees of the internal audit division, Corporate Secretary and Chief Compliance Controller;

- preparation of the development plan, the budget of the Bank, preparation of reports on their implementation;

- determination of working hours and working week, duration and procedure of provision of annual paid and other vacations to the employees of the Bank;

- provision of the estimated figures of dividends for the stock of shares to the Sole Shareholder of the Bank;

- submission of matters within its exclusive competence to the Board of Directors of the Bank for consideration;

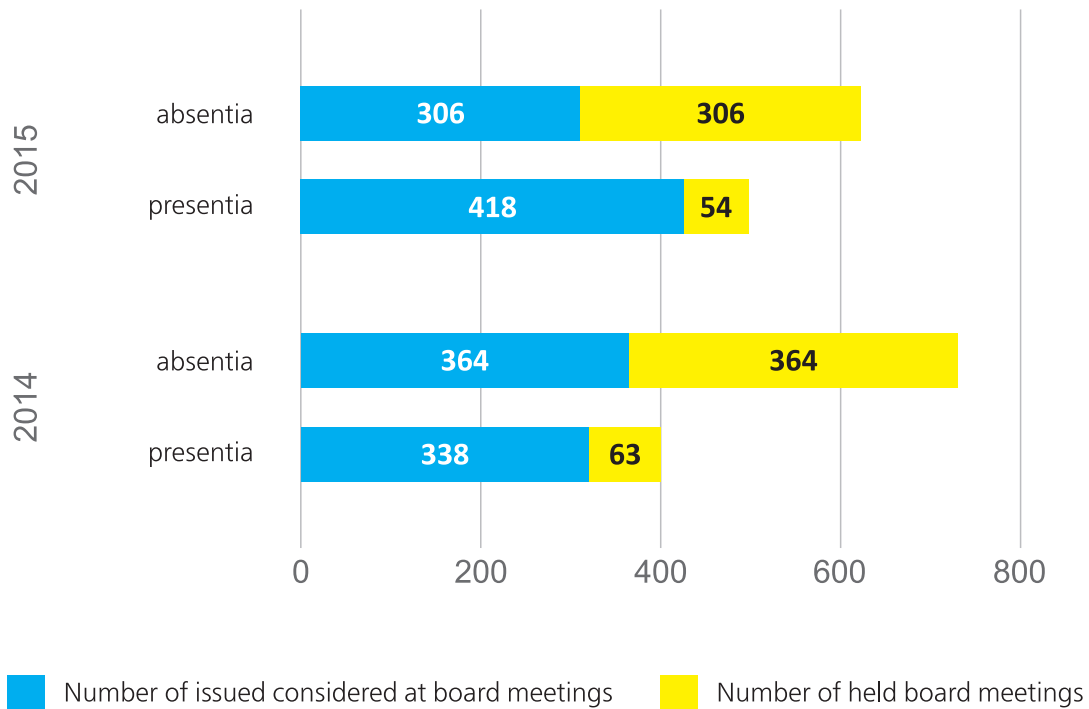
- approval of regulations on the credit committees of the Bank's branches, making of decisions on the organizational structure of the credit committees of the Bank's branches;

- prior approval of the matters submitted by the Management Board to the Board of Directors for consideration, and submitted by the Board of Directors to the Sole Shareholder for consideration;

- other matters not covered by the exclusive competence of the Sole Shareholder and the Board of Directors of the Bank and determined by the legislation of the Republic of Kazakhstan and the Charter of the Bank.

The Management Board held 360 meetings (427 meetings in 2014).

Chart 10



The Bank established 7 committees and 1 commission reporting to the Management Board of the Bank:

Strategy and Corporate Development Committee

Aims and goals

The main purpose of the Strategy and Corporate Development Committee (hereinafter - "SCDC") is to supervise the elaboration and implementation of the development strategy of the Bank.

The main objectives of the SCDC are as follows:

- Determination of strategic principles, development goals and events of the Bank;
- Coordination and monitoring of implementation of the strategic development plan of the Bank;
- Enhancement of efficiency of the existing management system of the Bank;

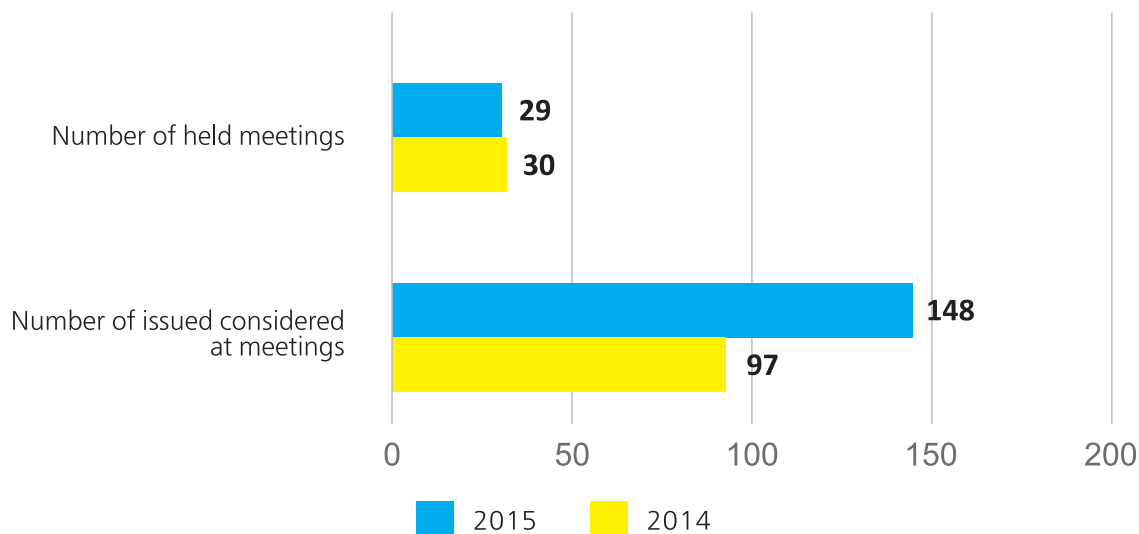
Composition of the SCDC:

- Chairman of the SCDC - E.Sh. Karashukev, Deputy Chairman;
- Deputy Chairman of the SCDC - N.K. Altynsaka, Deputy Chairman of the Management Board;
- Members of the SCDC - A.T. Medeuova and K.N. Alimova - Deputy Chairmen of the Management Board, N.A. Zholshibekov, Managing Director and employees introduced to the SCDC by the respective order of the Chairman of the Management Board;
- Secretary - employee of the strategic analysis division of the Department of planning and strategic analysis.

Meetings held in 2015

In 2015, the SCDC held 29 meetings, considered 148 issues 174 instructions were given for the issues considered (in 2014, the SCDC held 30 meetings, considered 97 issues and gave 222 instructions).

Chart 11



The main issues of the SCDC in 2015 were consideration and approval of the following:

- Report on the implementation of the Bank’s Plan of development for 2014-2018 in 2014;
- Report of the Management Board on the results of operations for in 2014;
- Effectiveness charts of the Chairman and Members of the Management Board at the end of 2014;
- amendment of the Bank’s Plan of development for 2014-2018;
- Annual report of the Bank for 2014 (for the Sole Shareholder);
- new key performance indicators for the Members of the Management Board, directors of branches and heads of structural divisions of the Head Office;
- Action plan on the implementation of the Long-term Strategy of «House Construction Savings Bank of Kazakhstan» JSC for 2014-2023;
- Strategic Planning Charts (hereinafter - «SPC») for 2015 and new version of the Action plan on the implementation of SPM for 2015, their updating and implementation monitoring on a monthly basis;
- SPC for 2016 and the Action plan on the implementation of SPM for 2016.

Assets and Liabilities Management Committee

Aims and goals

The Assets and Liabilities Management

Committee (hereinafter - “ALMC”) is a permanent collegial body of the Bank, which implements the main objective within the powers defined by the Regulations on the ALMC approved by the Resolution of the Management Board No 26 dated 17.02.2015 and internal documents of the Bank.

The objectives of the ALMC are as follows:

- Definition of the rules and procedures for making investment and borrowing on the domestic and foreign markets and for carrying out transactions with financial instruments;
- Definition of benchmarks (benchmark portfolio) for asset diversification, liquidity and profitability of the Bank, adequacy of the Bank’s own funds for the purpose of lending within the powers defined by the Regulations and other internal documents of the Bank.

Composition of the ALMC^[1]:

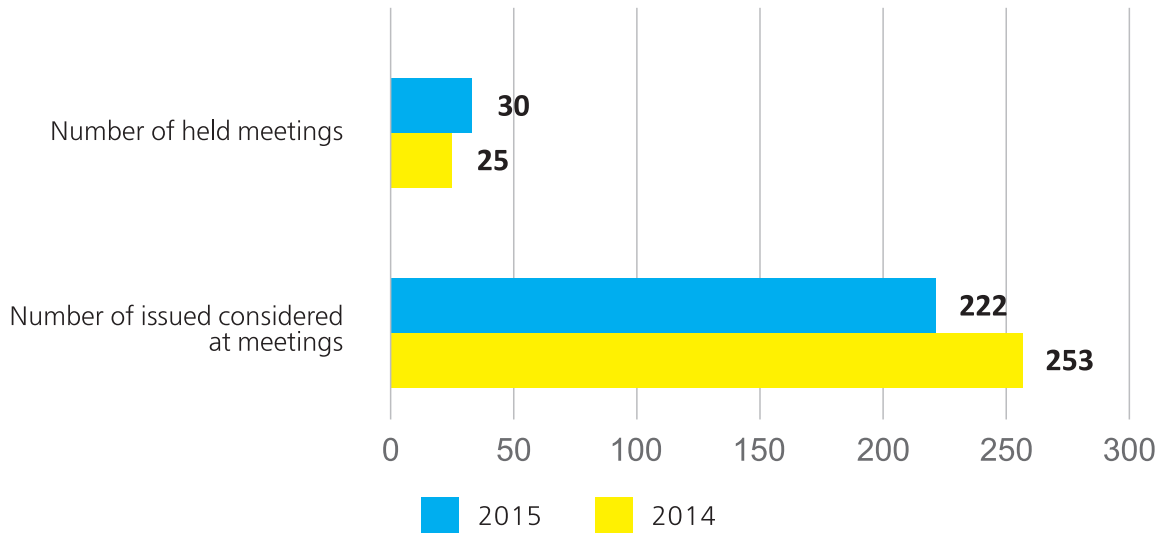
- Chairman of the ALMC - N. Zhumagulov, Chairman of the Management Board;
- Deputy Chairman of the ALMC - D.K. Enkebayev, Managing Director;
- Members of the ALMC - A.T. Medeuova and N.K. Altynsaka - Deputy Chairmen of the Management Board and employees introduced to the ALMC by the respective order of the Chairman of the Management Board;
- Secretary - employee of the Financial Risk Management of the Department of risk management.

^[1] Composition of the ALMC at the end of 2015

Meetings held in 2015

In 2015, the ALMC held 29 meetings in presentia, 1 meeting in absentia, considered 222 issues, made 397 decisions and gave 109 instructions for the issues considered. In 2014, the IRC held 30 meetings, considered 97 issues and gave 222 instructions). In 2014, the IRC held 25 meetings, considered 253 issues and gave 117 instructions.

Chart 12



The ALMC considered analytical reports and approved appropriate recommendations and solutions on a monthly basis:

- management reporting;
- analysis of credit, interest, currency and price risk and liquidity risk;
- analysis of the stress testing and sensitivity analysis;
- monitoring of residue limits of cash in cash registers;
- monitoring of authority limitation of the Director of the Treasury Department;
- monitoring of established limits for counterparties;
- monitoring of the factors that cause worsening of financial standing of the Bank;
- monitoring of the compliance of the current risk profile with the acceptable risk level;
- monitoring of the impact of the current risks on the level of capital adequacy;
- analysis of liquidity of the second-tier bank.

The ALMC considered analytical reports and approved appropriate recommendations and solutions on a quarterly basis:

- analysis of financial condition of the Bank's counterparties and approval of limits for them;

– macroeconomic analysis and review of the banking system.

In addition, the ALMC considers matters of value of risk limits of the Bank and makes appropriate decisions on an annual basis.

Banking Products and Processes Committee

Aims and goals

The Banking Products and Processes Committee (hereinafter - "BPPC") is a permanent collegial body of the Bank | engaged in review and approval of projects aimed at introducing new banking products and optimizing business processes of the Bank within the powers defined by the Regulations on the BPPC and other internal documents of the Bank.

The main objectives of the BPPC are as follows:

- Review and approval of rates and tariffs for banking operations, limit values of interest on deposits and loans, maximum amounts and terms of accepted deposits and issued loans; approval of the terms of servicing the tariff programs and lending that do not require the approval of the

Board of Directors in accordance with the applicable laws;

- review and approval of proposals of employees and divisions of the Bank aimed to addressing the current problems of optimization of existing processes and procedures.

Composition of the BPPC:

- Chairman of the BPPC - T. Altynbekov, Deputy Chairman of the Management Board;

- Deputy Chairman of the BPPC - A.T. Meduova, Deputy Chairman of the Management Board;

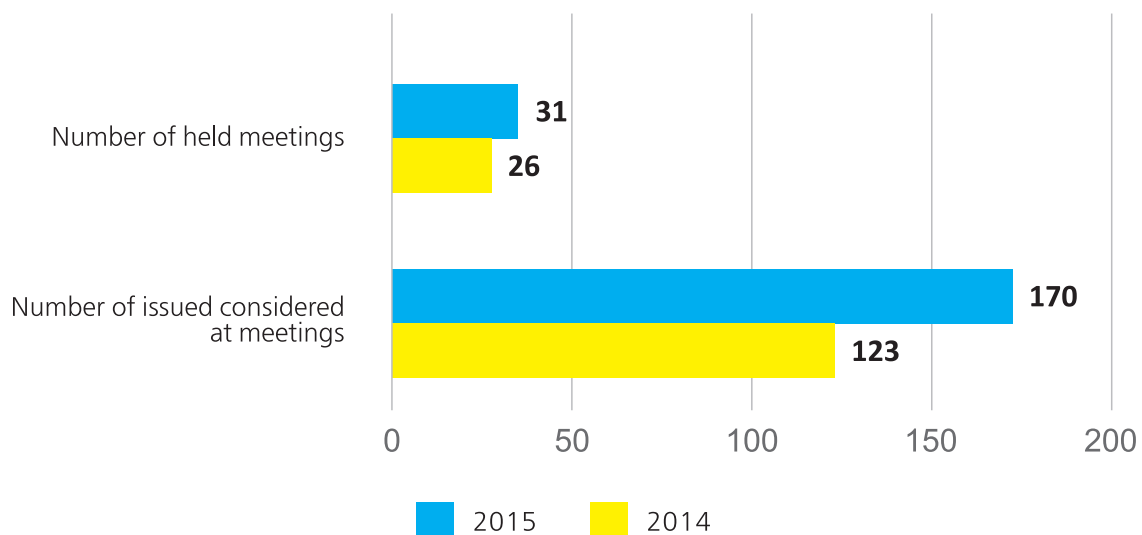
- Members of the BPPC - employees introduced to the BPPC by the respective order of the Chairman of the Management Board;

- Secretary - employee of the division of banking product development of the Department of development and introduction of banking products.

Meetings held in 2015

In 2015, the BPPC held 31 meetings (27 meetings in presentia and 4 meetings in absentia), considered 170 issues and gave 161 instructions for the issues considered with implementation monitoring provided by the responsible divisions. In 2014, the IRC held 26 meetings, considered 123 issues and gave 111 instructions.

Chart 13



Credit Committee

Aims and goals

The Credit Committee of the Bank (hereinafter - "CC") is a permanent collegial body of the Bank engaged in implementing the internal credit policy of the Bank within the powers defined by the Regulation on the CC and other internal documents of the Bank.

The main objective of the CC is to implement the Rules for the internal credit policy of the Bank and decisions of the ALMC within its powers subject to maximum reduction of risks of borrowing and generation of maximum income from the following banking operations: operations for issuing the housing loans, interim housing loans and preliminary housing loans (hereinafter - credit instruments).

The composition of the CC:

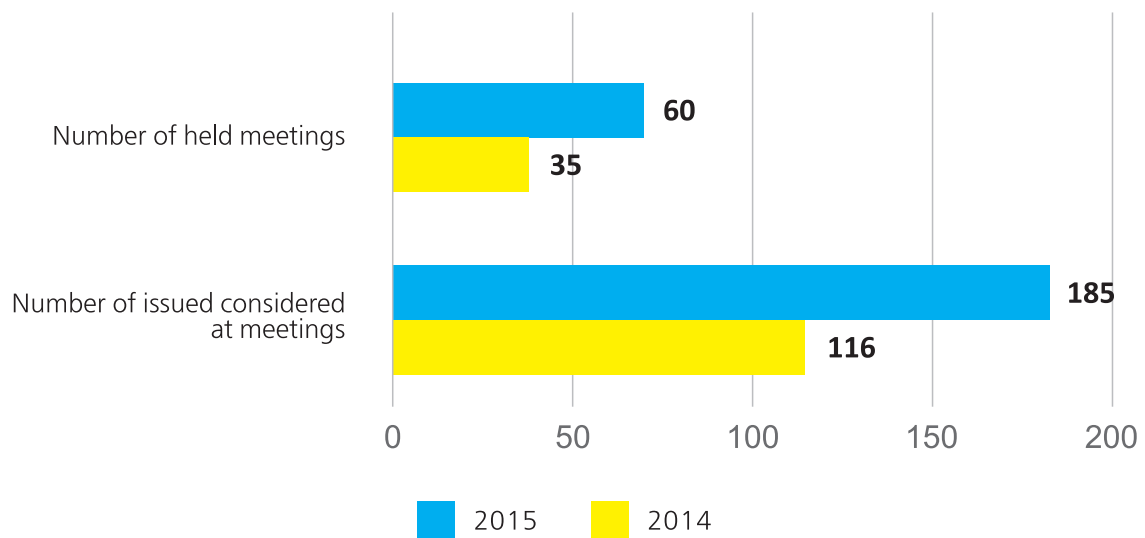
- Chairman of the CC - T. Medeuova, Chairman of the Management Board;
- Deputy Chairman of the CC - D.K. Enkebayev, Managing Director.

Quantitative and qualitative composition of the CC is determined by the Board of Directors of the Bank. The total amount of the CC members should be odd.

Meetings held in 2015

In accordance with the approved Work Plan of the CC of the Bank's Head Office, in the reporting period the CC held 60 meetings and considered 185 issues, including 36 applications from clients. In 2014, the CC held 35 meetings, considered 116, including 43 applications from clients.

Chart 14

**Information Resources Committee***Aims and goals*

The Information Resources Committee (hereinafter - "IRC") is a permanent consulting-advisory body of the Bank.

The main objective of IRC is to review the Bank's projects in the area of the information infrastructure and information security in order to provide recommendations to the Management Board of the Bank.

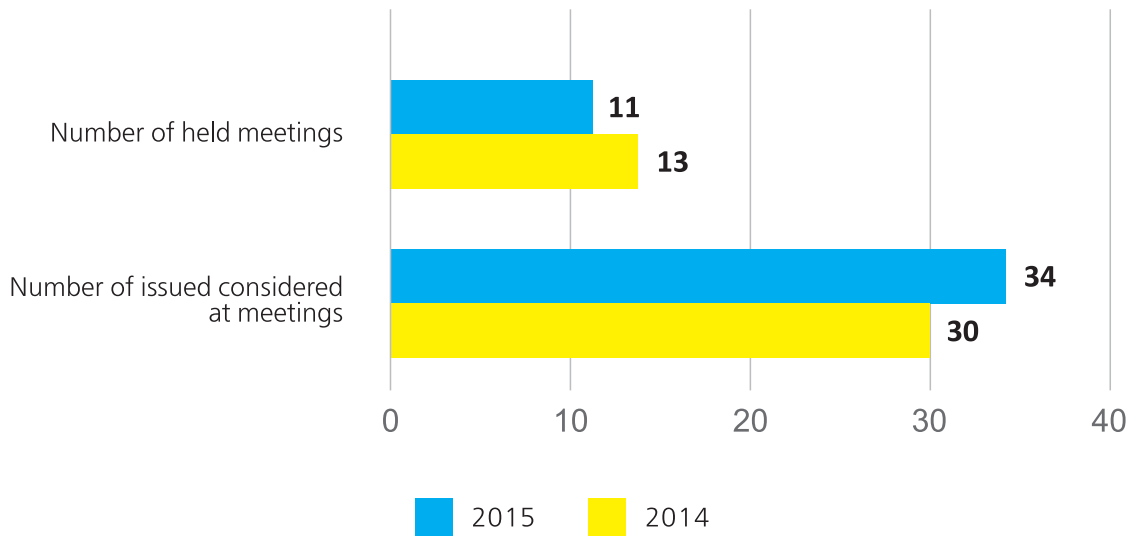
Composition of the IRC:

- Chairman of the IRC - K. Altynsaka, Deputy Chairman of the Management Board;
- Deputy Chairman of the IRC - K.T. Altynbekov, Deputy Chairman of the Management Board;
- Members of the IRC - employees of the Bank introduced to the IRC by the respective order of the Chairman of the Management Board.

Meetings held in 2015

In 2015, the IRC held 11 meetings, considered 34 issues and made 34 decisions for the issues considered. In 2014, the IRC held 13 meetings, considered 30 issues and gave 49 instructions. In 2014, the IRC held 13 meetings, considered 30 issues and gave 49 instructions.

Chart 15



- Activities implemented in 2015:
- monitoring of automated systems for audit of user actions in automated system;
 - development of anti-virus systems;
 - introduction of the new ABIS;
 - support and management of virtual work-stations;
 - monitoring of server hardware;
 - monitoring of communication channels;
 - monitoring of Genesys software;
 - preparation of infrastructure for creation of a hot reserve of IT systems;
 - ensuring smooth interaction between the Kazakhstan’s Center for Interbank Settlements of the National Bank of the Republic of Kazakhstan and second-tier banks;
 - provision of on-site services.

The Budget Comettee

Aims and goals

The Budget Comettee (hereinafter - “BC”) is a permanent collegial body of the Bank, the main purpose of which is to provide timely and proper development of the Budget/Plan of income and expenses, the Investment Plan, the

Procurement Plan/Long-Term Procurement Plan of the Bank for the planning period, as well as proposals for improvement, execution and control thereof.

The main objective of the BC is to review the financial and non-financial information in order to make an informed decision in accordance with the Long-Term Strategy and Development Plan of the Bank when preparing the draft Budget/ Plan of income and expenses, the Investment Plan, the Procurement Plan/Long-Term Procurement Plan of the Bank.

Composition of the BC:

- Chairman of the BC - E.Sh.Karashukev, Deputy Chairman of the Management Board;
- Deputy Chairman of the BC - N.K.Altynsaka, Deputy Chairman of the Management Board;
- Members of the BC - heads of the following divisions of the Head Office: planning and strategic analysis, information technologies, purchasing, administration, security, development and implementation of banking products, sales and regional development and other divisions according to the decision of the Chairman of the Management Board.

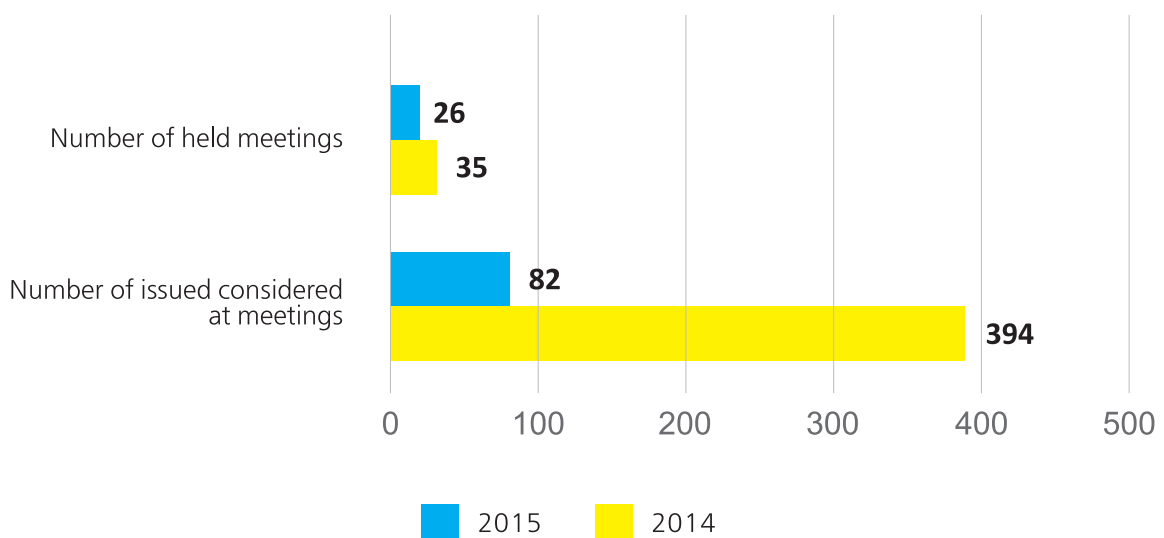
Meetings held in 2015

In 2015, the BC of the Bank held 26 meetings, at which 82 applications were considered (68 instructions were given), mainly for:

- introduction of amendments and supplements to the Budget, the Investment Plan, the Procurement Plan for 2014 and the Long-Term Procurement Plan on the basis of applications from branches and divisions of the Head Office;
- formation of the Budget, the Investment Plan, the Procurement Plan for 2015 and the Long-Term Procurement Plan on the basis of applications from branches and divisions of the Head Office.

In 2014, the BC of the Bank held 35 meetings and considered 394 applications during these meetings.

Chart 16



Commission for cost determination and writing-off of fixed assets, intangible assets and unsaleable commodity stocks

Aims and goals

The Commission of the Bank for cost determination and writing-off of fixed assets, intangible assets and unsaleable commodity stocks (hereinafter - the "Commission") is a permanent collegial body of the Bank, the main purpose of which is to determine the cost of fixed assets, intangible assets and unsaleable commodity stocks (hereinafter - the "property"), which are recorded and received again on the balance sheet of the Bank, as well as the standard and useful service lives.

The main tasks of the Commission are to consider the issues and make decisions on:

- determination of the cost, terms of standard and useful service lives of fixed and intangible assets of the Bank;
- writing-off of the Bank's property in accordance with the Bank's internal regulations that govern the disposal of the Bank's property;
- re-valuation of fixed assets (buildings, facilities) of the Bank in accordance with the Accounting Policy of the Bank based on an independent appraiser's opinion;
- performance of impairment testing of fixed assets and intangible assets.

Composition of the Commission of the Bank for cost determination and writing-off of fixed assets, intangible assets and unsaleable commodity stocks (hereinafter - the «Commission»):

- Chairman of the Commission - N.K.Altynsaka, Deputy Chairman of the Management Board;
- Deputy Chairman of the Commission - G.K.Kisina, Director of the Accounting Department and Chief Accountant;
- Members of the Commission - heads of the following divisions of the Head Office: information technologies, administration, advertising, security, accounting, legal according to the order of the Chairman of the Management Board.

Meetings held in 2015

In 2015, the Commission held 23 meetings, at which 45 issues were considered, including:

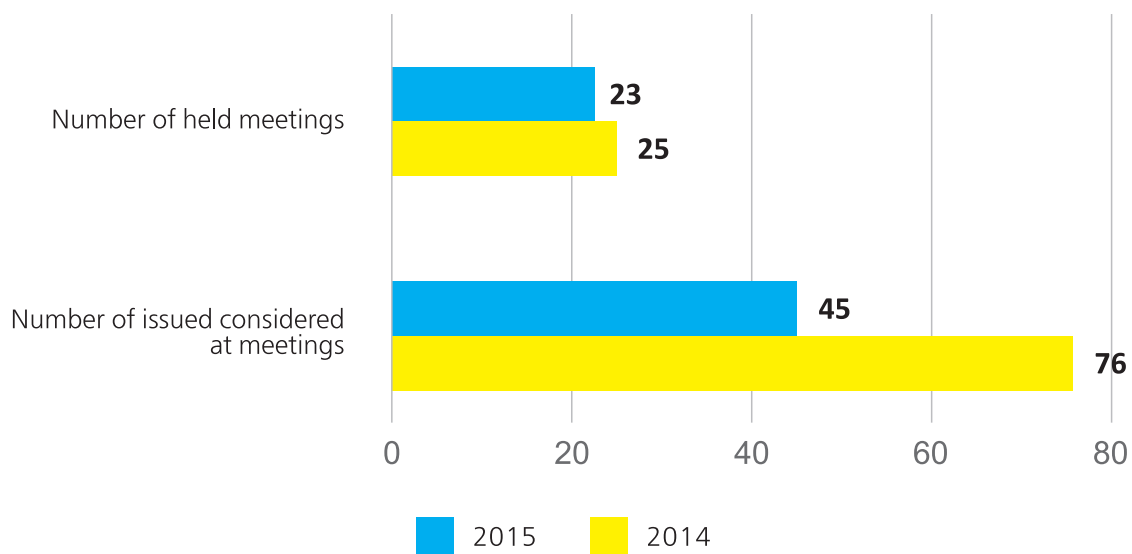
- combination of fixed assets "Buildings and Facilities";

- Association of IA;
- writing-off of fixed assets;
- increase the value of the OS, IA;
- the adoption of the balance of IA, developed by the Bank;
- partial impairment of intangible assets;
- gratuitous assignment of fixed assets;
- destruction of fixed assets;
- performance of impairment testing of fixed assets and intangible assets.

In 2014, the Commission held 25 meetings and considered 76 applications during these meetings.

In 2015, the Commission held 23 meetings and considered 45 applications during these meetings.

Chart 17



Personnel Committee

Aims and goals

The main objectives of the Personnel Committee are as follows:

- 1) Implementation of the internal personnel policy of the Bank;
- 2) Coordination of work for certification of employees, including in settlement of disputable issues;
- 3) Consideration of candidates for the formation of a personnel reserve of the Bank;

- 4) Consideration of candidates for moral encouragement;
- 5) Preparation of proposals for improvement of the work of recruitment, staff deployment and personnel training and submission of such proposals to the Bank’s management;
- 6) Consideration of issues related to dismissal of employees in case of the Bank’s staff redundancy;
- 7) Consideration of issues related to employees’ compliance with the labour discipline;

8) Review of materials of the official investigation of violations of labour discipline and wrongful failure or improper performance of job duties by employees of the Bank, and development of proposals for the application of disciplinary sanctions;

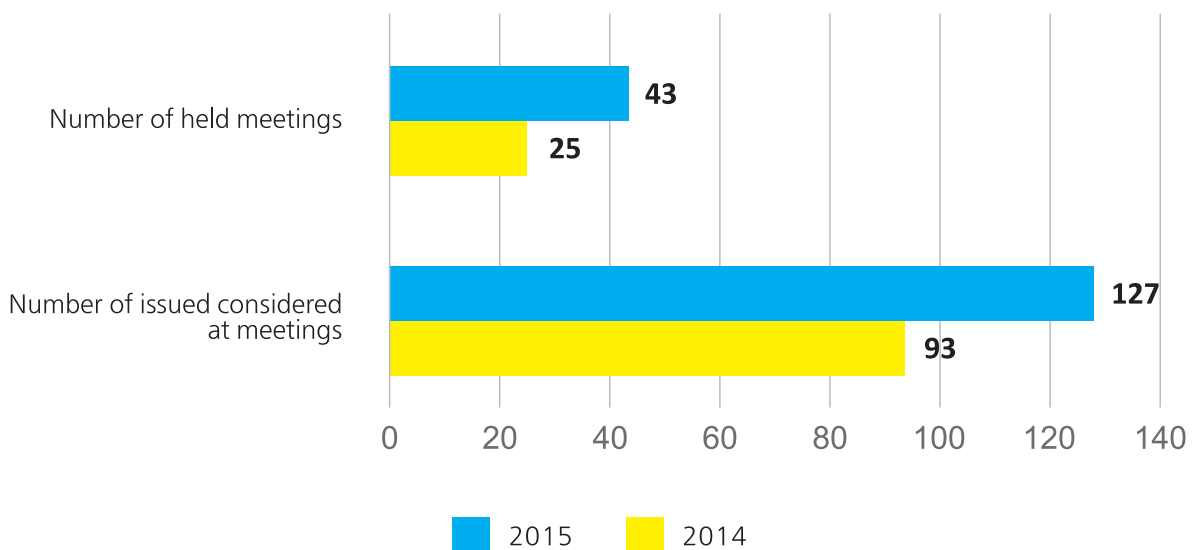
9) Consideration of the facts of abuse, excess of powers and other violations on the part of the Bank's employees revealed as a result of the Bank's review of applications from individuals and legal entities;

10) Consideration of the facts of violations of laws of the Republic of Kazakhstan and requirements of the Bank's internal documents revealed during the internal and external audits;

11) Consideration of the facts of abuse, excess of powers and other violations on the part of employees of the Bank on the basis of information provided by directors of branches and heads of structural divisions of the Bank.

In 2015, the Personnel Committee considered 127 issues and held 43 meetings. In 2014, the Personnel Committee considered 93 issues and held 25 meetings.

Chart 18



Achieving KPI of members of the Management Board

The effectiveness of the Management Board's activities is evaluated on the basis of KPI for 2015 approved by the Board of Directors dated 28.11.2014 (Minutes No.17).

In the reporting period, the activities of the Management Board of the Bank are characterized in general as positive. This assessment is associated with the achievement of key performance indicators (KPI) by the Bank in 2015:

- total performance according to corporate KPI - 119%;
- total performance according to KPI of Chairman of the Management Board, A.N.Zhumagulov - 113%;
- total performance according to KPI of Deputy Chairman of the Management Board, K.T.Altynbekov - 114%;
- total performance according to KPI of Deputy Chairman of the Management Board, N.K.Altynsaka - 117%;
- total performance according to KPI of Deputy Chairman of the Management Board, A.T.Medeuova - 120%;
- total performance according to KPI of Deputy Chairman of the Management Board, E.Sh.Karashukeyev - 119%.

The detailed information on execution of KPI of the Bank is provided in subsequent sections of the report.

XIII. BASIC PRINCIPLES OF PAYMENT OF REMUNERATION TO MEMBERS OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS

The purpose of the policy for payment of remuneration and bonuses to members of the Management Board is to promote fair, effective and proper work with the aim to provide a fair remuneration depending on the complexity and scope of work performed, position held and personal contribution to achieving the Bank's objectives.

Remuneration paid to members of the Management Board based on the annual performance results means remuneration intended to promote effective work of members of the Management Board and paid by the decision of the Board of Directors depending on achievement of strategic key performance indicators and the performance appraisal results.

In accordance with the decision of the Board of Directors, a member of the Board of Directors being an independent director shall receive a fixed annual remuneration for his/her membership in the Board of Directors and participation in a committee of the Board of Directors.

XIV. CORPORATE SOCIAL RESPONSIBILITY

As of today, the Bank also pays attention to certain areas of development of corporate social responsibility. Thus, the Bank is working in three main areas: health, education, environment, security and safety.

Employees' health protection

In order to ensure social protection of employees' health, the Bank enters into medical insurance contracts on an annual basis. Thus, in 2015, health care services under a voluntary health insurance contract were rendered to 1067 employees of the Bank.

Education projects

Taking into account that the personnel development is one of the components of success of any organization, the Bank allocates funds for personnel training and development on an annual basis.

Personnel development means a set of organizational and economic measures aimed at: training, re-training and advanced training of personnel, working with a personnel re-serve, assessment of employees from front units for knowledge of banking products, and certification of the Bank's employees.

The Bank has been providing internal and external training for employees since 2004 in accordance with the Plans for Training and Advanced Training of employees and managers of the Bank. Based on the results of training an employee shall submit a report to his/her supervisor together with any conclusions, recommendations and proposals for improvement of practical work of the Bank.

Provision of occupational health and safety, Civil defense and fire safety

For the purpose of implementing a set of measures aimed at creating and maintaining safe and healthy labour conditions the Bank has established an occupational health and safety department.

In accordance with the provisions of laws and regulations and internal documents of the Bank in the field of occupational health and safety, the following persons receive regular training and briefing: employees and decision makers in the Head Office and branches of the Bank, employees of contracting organizations that perform work and provide services under economic contracts, temporary employees and students undergoing internship in the Bank.

In accordance with the amendments to the Labor Code of the Republic of Kazakhstan, the following documents of the Bank in the field of occupational health and safety were amended in 2015:

- «System of occupational health and safety management in «House Construction Savings Bank of Kazakhstan» JSC» by the Resolution of the Management Board of the Bank No.33 dated 23.02.2015;

- «Instructions for training, briefing and testing of employees of the «House Construction Savings Bank of Kazakhstan» JSC» by the Resolution of the Management Board of the Bank No.35 dated 24.02.2015.

In 2015, the Bank and the Personnel Department organized and held training of directors and logistics specialists of the Bank's branches according to the «Occupational health and safety» course.

The Bank arranged commission regular checks of labour conditions at workplaces in structural divisions of the Head Office and branches of the Bank (on a quarterly basis), the state of electrical safety and hygienic condition of facilities and territories.

In October and November 2015 the Bank arranged and conducted knowledge assessment in the field of occupational health and safety in the form of testing in structural divisions of the Head Office and regional branches of the Bank.

In 2015, the Bank implemented the following activities to address the issues of Civil Defense and emergencies:

1) According to the Order of the Chairman of the Bank's Management Board «On the organization of the Civil Defense in the Bank» No.19 dated January 23, the Bank established and approved the Civil Defense Headquarters of the Bank's Head Office, evacuation commission and 6 units of Civil Defense;

2) The Bank updated responsibilities of officials and head of Civil Defense units;

3) Adjustments were made in the Civil Defense Plans for the peacetime and wartime of the Head Office of the Bank for 2012-2017;

4) During 2015, the Head Office of the Bank prepared and held the following: Seismic training (17.04.2015), the «Fire» training (07.08.2015), Citywide seismic training, combined with the special tactical exercises (17.09.2015);

5) During 2015, three employees from managers and commanders of the Civil Defense units were trained in the training center of DES of Almaty;

6) The report on the completed work with all supplements shall be provided in Almaty District Emergency Department of Almaty city at the end of six months.

The checks of fire protection conditions of the building, facilities and territories, the procedure for storage of valuable property at warehouses were conducted. The testing of the fire-protection water system and automated air pressure and smoke exhaust system was carried out on a quarterly basis.

In order to update the procedure for ensuring safety of employees and property in buildings, premises and territory of the Bank, the «Instructions for fire safety for the Head Office and branches of the Bank» document was amended (Resolution No.68 dated 15.04.2015).

Practical fire safety issues were studied during the «Fire» training.

According to the requirements of the internal control of the Department of occupational health and safety, the checklists for the Department and decision makers of the Bank's branches were developed and approved in 2015.

During the business trips to Karaganda, Kostanai, West Kazakhstan and Atyrau regional branches and Almaty branch, the practical assistance was provided to address the issues of occupational health and safety, Civil Defense and emergencies, fire safety.





XV. FINANCIAL ACTIVITIES AND REPORTING

1. Audit report



INDEPENDENT AUDITOR'S REPORT

To Shareholder and Board of Directors of the «Housing Construction Savings Bank of Kazakhstan» JSC

We have audited the accompanying financial statements of «Housing Construction Savings Bank of Kazakhstan» JSC, consisting of the statement of financial position as of December 31, 2015 and reports on profit or loss and other comprehensive income, changes in equity and cash flow statement for the year then ended, as well as notes, consisting of a brief review of significant accounting policies and other explanatory information.

Management's responsibility for financial statements

The management is responsible for preparation and fair presentation of these financial statements in accordance with international financial reporting standards and for internal controls, which the management believes that it is necessary for compiling the financial statements 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. These standards require compliance with ethical requirements and plan and perform the audit to obtain a reasonable assurance that the financial statements are free of material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selection depends on the auditor's professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In the process of assessing these risks, the Auditor considers the internal control system for compiling and reliable financial reporting, to develop audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the organization. An audit also includes an assessment of the adequacy of the applied 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 obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers LLP

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INDEPENDENT AUDITOR’S REPORT (continuation)

Page 2

Opinion

In our opinion, the financial statements present fairly in all material respects financial position of the «Housing Construction Savings Bank of Kazakhstan» JSC as of December 31, 2015 onwards, as well as its financial performance and its cash flows for the year then ended in accordance with international financial reporting standards.

Prayusoterkhauk LLP

February 26, 2016
Almaty, Kazakhstan

Утверждено и подписано:





Дана Инкарбекова
Управляющий директор
ТОО «ПрайсуотерхаусКуперс»
(Генеральная государственная лицензия
Министерства Финансов Республики Казахстан
№0000005 от 21 октября 1999 года)

Подписано:




Айгуль Ахметова
Аудитор-исполнитель
(Квалификационное свидетельство
№00000083 от 27 августа 2012)

Подписано:



Дерек Кларк
Партнер по аудиту
(Квалифицированное свидетельство
аудитора Института сертифицированных
бухгалтеров Австралии №26312;
Специальная доверенность #25-14 от 3
Октября 2014)

2. Financial statement for 2015

**"House Construction Savings Bank of Kazakhstan" JSC
Statement of Financial Position**

<i>In thousands of Kazakhstani Tenge</i>	Note	2015	2014
ASSETS			
Cash and cash equivalents	6	35,430,300	30,707,667
Trading investments	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
Fixed assets	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		368,481,353	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


 Жумағұлов Аібатыр Нышаноаевич
 Председатель Правления
 26 февраля 2016 года


 Кисина Гульнар Каримовна
 Главный бухгалтер

“House Construction Savings Bank of Kazakhstan” JSC
Statement of profit and loss and other comprehensive income

<i>In thousands of Kazakhstani Tenge</i>	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
Recovery / (Provision) for loan impairment	9	(196,168)	597,042
Net interest income after recovery/(provision) 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)
Expenses arising from the initial recognition of assets at rates below market		(575,449)	(229,793)
Expenses from trading in securities		(193,058)	(103)
Expenses (recovery of expenses) from impairment of investment securities available-for-sale		(1,617)	19,486
Expenses from sale of investment securities available-for-sale		-	(18,956)
Net gains on foreign exchange transactions		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
Tax income for profit	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/(losses less gains) 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
Basic and diluted earnings per share for profit attributable to shareholders of the Bank (in Kazakhstan tenge per share)	28	1,945	1,476

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

<i>In thousands of Kazakhstani Tenge</i>	Share capital	Share premium	Revaluation reserve for AFS securities	Other reserves	Retained earnings	Total equity
Balance at January 1, 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 paid	-	-	-	-	(1,799,177)	(1,799,177)
Discount on loans obtained from the state	-	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	-	-	(8,665,502)	-	15,232,242	6,566,740
Dividends paid	-	-	-	-	(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

“House Construction Savings Bank of Kazakhstan” JSC
Statement of Cash Flows

<i>In thousands of Kazakhstani Tenge</i>	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
<i>Net increase/(decrease) in:</i>			
- 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)
<i>Net increase/(decrease) in:</i>			
- customer accounts		48,847,152	54,212,109
- other financial liabilities		435,265	417,287
Net cash from/(used in) operating activities		(455,644)	(16,726,055)
Cash flows from investing activities			
Acquisition of fixed assets		(758,825)	(1,172,849)
Acquisition of intangible assets		(526,617)	(225,315)
Proceeds from fixed assets sales		67	176
Acquisition of investment securities available for sale		-	(42,722,682)
Acquisition of investment securities held to maturity		(10,866,100)	-
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

XVI. KEY OBJECTIVES FOR 2016-2018

In accordance with the Development Plan of the Bank, the following key performance indicators have been established for 2016-2018

Table 10

Indicators	Unit	2016	2017	2018
Concluding of housing savings contracts	thous. contracts.	182,6	182,6	182,6
Share of participants of the housing savings system to economically active population of the Republic of Kazakhstan	%	7,0	7,8	8,3
Provision of housing loans	bln. tenge	79,4	102,9	101,4
Bank's share in the market of housing construction and acquisition loans issued by second-tier banks and mortgage companies	%	22,1	20,9	18,8
Enhancement of the degree of confidence to the Bank	%	81,5	82	83
Enhancement of the degree of recognition of the housing savings system and the Bank	%	75	76	77
Maintenance of the level of customer satisfaction	%	95	95	95

As well as one of the major challenges in 2016-2017 respectively is the payment of compensation to depositors of the Bank in connection with the transition to a regime of free floating exchange rate.