"Bank of Astana" JSC

Financial Statements

for the year ended 31 December 2016

Contents

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Independent Auditors' Report

To the Board of Directors of "Bank of Astana" JSC

Qualified Opinion

We have audited the financial statements of "Bank of Astana" JSC (the "Bank"), which comprise the statement of financial position as at 31 December 2016, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of matters described in the first paragraph and except for the effects of the matter described in the second paragraph of the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

As described in Note 18, during the year the Bank sold certain loans which had been previously classified as impaired, in exchange for consideration of KZT 2,920,000 thousand. This transaction resulted in a reversal of impairment allowance, and reduction of the impairment charge in the statement of profit or loss and other comprehensive income of approximately KZT 1,500,000 thousand. During the year, the Bank also purchased approximately 0.53% of its issued share capital, in exchange for consideration of KZT 3,200,000 thousand, representing a purchase price of KZT 19,999 per share, which is considerably higher than the price of other transactions with its own shares as disclosed in note 23 (a). We have been unable to obtain sufficient audit evidence to conclude on the underlying economic substance of these transactions. We are therefore are unable to determine whether they are appropriately classified, presented or disclosed in the financial statements, or whether adjustments might have been found necessary to impairment losses, profit and total comprehensive income for the year, changes in equity or earnings per share for the year.

As described in Note 16 approximately 29% of the Bank's corporate loans are made to fund companies which are in the start up phase, or for projects such as the ongoing construction of assets which have not yet been put into operation, and management have identified impairment indicators in approximately 35% of the Bank's corporate loan portfolio. There are indications that the impairment allowance is understated because, in some instances, the assumptions used by management to establish an impairment allowance based on the estimated future cash flows of impaired loans in accordance with International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* are too optimistic. In other instances, there is insufficient evidence to support the assumptions used by management in determining the impairment allowance. The effects of this departure from International Financial Reporting Standards on the financial statements have not been determined.

Basis for Qualified Opinion, continued

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the ultimate recoverability of a significant proportion of the Bank's loan portfolio is primarily dependent on the successful future completion of the underlying projects. This increases the level of estimation risk in the valuation of the loans, and may lead to significant losses emerging in future periods, in the event the projects are not successful. As further explained in Note 1, included in corporate current accounts and demand deposits is an amount of KZT 85,855,496 thousand at 31 December 2016, which is repayable on demand to a single counterparty. Based on its communication with the counterparty, the Bank does not expect that this balance will be fully withdrawn within at least the next 2 years. However, in the event that the amount were to be withdrawn, this could impact the Bank's ability to maintain compliance with externally imposed liquidity ratios. These conditions indicates that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the *Basis for Qualified Opinion* section and *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report submitted to Kazakhstan Stock Exchange JSC but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditors' Responsibilities for the Audit of the Financial Statements, continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Ashley Clarke
Engagement Partner

Assel Khairova
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. MФ-0000004 of 6 August 2009

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Assel Khairova
General Director of KPMG Audit LLC
acting on the basis of the Charter

5 July 2017

	Note	2016 KZT'000	2015 KZT'000
Interest income	4	26,980,845	14,672,532
Interest expense	4	(19,921,595)	(8,435,389)
Net interest income		**7,059,250**	**6,237,143**
Fee and commission income	5	2,082,616	1,172,248
Fee and commission expense	6	(474,419)	(162,536)
Net fee and commission income		**1,608,197**	**1,009,712**
Net foreign exchange gain	7	194,878	839,116
Net (loss) gain on financial instruments at fair value through profit or loss		(196,588)	919,944
Other operating income	8	279,048	229,171
Other operating expense	8	(993,224)	(356,044)
Operating income		**7,951,561**	**8,879,042**
Impairment losses	9	(474,927)	(3,352,972)
Personnel expenses	10	(1,857,848)	(1,652,356)
Other general administrative expenses	11	(4,279,396)	(1,700,461)
Profit before income tax		**1,339,390**	**2,173,253**
Income tax expense	12	(474,375)	(665,158)
Profit for the year		**865,015**	**1,508,095**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		129,925	(38,044)
Items that will not be reclassified to profit or loss			
Revaluation reserve for land and buildings			
- Net change in fair value		-	(75,365)
Other comprehensive income (loss) for the year, net of income tax		**129,925**	**(113,409)**
Total comprehensive income for the year		**994,940**	**1,394,686**
Earnings per share			
Basic and diluted earnings per share (in KZT)		43.2	171.6

The financial statements as set out on pages 7 to 73 were approved by the Management Board on 5 July 2017 and were signed on its behalf by:

Mailibayev Iskender Yedygeevich
Chairman of the Management Board

Kurmanbayeva Shynar Kabdualiyevna
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Note	2016 KZT'000	2015 KZT'000
ASSETS			
Cash and cash equivalents	13	139,080,652	51,996,783
Financial instruments at fair value through profit or loss		-	295,920
Available-for-sale financial assets	14	2,874,744	757,542
Loans and advances to banks and other financial institutions	15	6,611,745	13,340,011
Loans to customers			
-Loans to corporate customers	16	30,245,462	22,127,214
-Loans to small- and medium-sized companies	16	107,744,066	78,907,340
-Loans to retail customers	16	43,679,122	30,790,419
Property, equipment and intangible assets	17	4,347,900	2,276,113
Other assets	18	26,420,946	23,179,127
Total assets		**361,004,637**	**223,670,469**
LIABILITIES			
Deposits and balances from banks and other financial institutions	19	31,099,930	45,844,884
Current accounts and deposits from customers			
-Current accounts and deposits from corporate customers	20	251,569,087	117,896,434
-Current accounts and deposits from retail customers	20	44,013,370	27,285,666
Subordinated bonds	21	-	7,022,664
Current tax liability		-	74,366
Deferred tax liability	12	121,743	39,537
Other liabilities	22	2,474,502	2,017,724
Total liabilities		**329,278,632**	**200,181,275**
EQUITY			
Share capital	23	34,785,467	20,785,466
Treasury shares	23	(6,758,130)	-
Additional paid-in-capital		(112,895)	(112,895)
General reserve		957,976	957,976
Revaluation reserve for available-for-sale financial assets		99,999	(29,926)
Revaluation reserve for land and buildings		298,448	301,462
Retained earnings		2,455,140	1,587,111
Total equity		**31,726,005**	**23,489,194**
Total liabilities and equity		**361,004,637**	**223,670,469**

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	2016 KZT'000	2015 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	21,019,770	11,260,070
Interest payments	(19,220,900)	(8,188,225)
Fee and commission receipts	2,079,099	1,164,931
Fee and commission payments	(494,502)	(162,536)
Net receipts from financial instruments at fair value through profit and loss	99,332	624,024
Net receipts from foreign exchange	418,257	902,016
Other payments, net	(714,176)	(126,873)
Personnel payments	(1,880,221)	(1,641,423)
Other general administrative payments	(3,718,970)	(1,309,678)
(Increase)/decrease in operating assets		
Loans and advances to banks and other financial institutions	6,972,666	(5,432,649)
Loans to customers	(43,583,692)	(61,557,165)
Other assets	(2,064,012)	(5,616,914)
Increase/(decreaase) in operating liabilities		
Deposits and balances from banks and other financial institutions	(14,961,119)	31,186,146
Current accounts and deposits from customers	149,852,498	42,534,827
Other liabilities	435,502	325,694
Net cash from operating activities before income tax paid	**94,239,532**	**3,962,245**
Income tax paid	(565,670)	(608,283)
Cash flows from operating activities	**93,673,862**	**3,353,962**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale assets	(1,040,620)	(3,435,941)
Redemption of available-for-sale assets	-	3,517,656
Purchases of property, equipment and intangible assets	(2,635,030)	(748,908)
Capital expenditure	(3,027,879)	-
Sales of property, equipment and intangible assets	289	14,919
Cash flows used in investing activities	**(6,703,240)**	**(652,274)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	14,000,001	4,500,000
Repurchase of share capital	(6,758,130)	-
Proceeds from issuance of debt securities	7,653,885	10,084,623
Repurchase of debt securities issued	(7,653,885)	(10,058,407)
Proceeds from issuance of subordinated bonds	-	6,999,000
Repurchase of subordinated bonds	(7,023,998)	-
Cash flows from financing activities	**217,873**	**11,525,216**
Net increase in cash and cash equivalents	**87,188,495**	**14,226,904**
Effect of changes in exchange rates on cash and cash equivalents	(104,626)	3,667,271
Cash and cash equivalents as at the beginning of the year	51,996,783	34,102,608
Cash and cash equivalents as at the end of the year (Note 13)	**139,080,652**	**51,996,783**

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

KZT'000	Share capital	Treasury shares	Additional paid-in-capital	General reserve	Revaluation reserve for available-for-sale financial assets	Revaluation reserve for land and buildings	Retained earnings	Total
Balance as at 1 January 2015	**16,285,466**	**-**	**(112,895)**	**957,976**	**8,118**	**376,827**	**79,016**	**17,594,508**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	1,508,095	1,508,095
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets	-	-	-	-	(38,044)	-	-	(38,044)
Items that will not be reclassified to profit or loss:								
Revaluation of land and buildings	-	-	-	-	-	(75,365)	-	(75,365)
Total other comprehensive income	-	-	-	-	(38,044)	(75,365)	-	(113,409)
Total comprehensive income for the year	-	-	-	-	**(38,044)**	**(75,365)**	**1,508,095**	**1,394,686**
Transactions with owners, recorded directly in equity								
Shares issued (Note 23)	4,500,000	-	-	-	-	-	-	4,500,000
Total transactions with owners	**4,500,000**	-	-	-	-	-	-	**4,500,000**
Balance as at 31 December 2015	**20,785,466**	-	**(112,895)**	**957,976**	**(29,926)**	**301,462**	**1,587,111**	**23,489,194**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

KZT'000	Share capital	Treasury shares	Additional paid-in-capital	General reserve	Revaluation reserve for available-for-sale financial assets	Revaluation reserve for land and buildings	Retained earnings	Total
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	865,015	865,015
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets	-	-	-	-	129,925	-	-	129,925
Items that will not be reclassified to profit or loss:								
Transfer of revaluation reserve for land and buildings	-	-	-	-	-	(3,014)	3,014	-
Total other comprehensive income	-	-	-	-	129,925	(3,014)	3,014	129,925
Total comprehensive income for the year	-	-	-	-	**129,925**	**(3,014)**	**868,029**	**994,940**
Transactions with owners, recorded directly in equity								
Shares issued (Note 23)	14,000,001	-	-	-	-	-	-	14,000,001
Shares repurchased (Note 23)	-	(6,758,130)	-	-	-	-	-	(6,758,130)
Total transactions with owners	**14,000,001**	**(6,758,130)**	-	-	-	-	-	**7,241,871**
Balance as at 31 December 2016	**34,785,467**	**(6,758,130)**	**(112,895)**	**957,976**	**99,999**	**298,448**	**2,455,140**	**31,726,005**

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

1 Background

(a) Organisation and operations

"Bank of Astana" JSC (the "Bank") was established in the Republic of Kazakhstan as a joint stock company under the name Bank "Astana-finance" JSC in 2008. The principal activities are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and transactions with securities and foreign exchange. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK"). The Bank has general banking license number 1.1.257 dated 6 November 2009 and re-registered on 24 August 2011.

In accordance with the Decree of the National Bank of the Republic of Kazakhstan number 79 dated 1 July 2011 the Bank's license on deposit taking and customer account maintenance of individuals was revoked. As a result during the year ended 31 December 2011 the Bank closed all current accounts and deposits of individuals. On 31 March 2014 the Bank received license number 1.1.10 from the National Bank of the Republic of Kazakhstan on deposit taking and customer accounts maintenance of individuals and resumed these activities. On 10 March 2015 the Bank was re-registered as "Bank of Astana" JSC.

The Bank's registered office is located at 22, Koktem-2, Almaty, 050040, the Republic of Kazakhstan.

The Bank has eight branches from which it conducts business throughout the Republic of Kazakhstan. The majority of the assets and liabilities are located in the Republic of Kazakhstan.

Bonds and ordinary shares issued by the Bank are listed on Kazakhstan Stock Exchange.

(b) Shareholders+

As at 31 December 2016 and 2015, the following shareholders own the outstanding common shares:

Shareholders	31 December 2016 %	31 December 2015 %
Tokhtarov O.	61.07	68.74
Kumpeisov D.	6.58	-
Kashkinbaev T.	5.52	9.90
Shadiyev R.	5.07	-
Other shareholders	21.76	21.36
	100.00	**100.00**

On 19 March 2010, the Agency on regulation and supervision of financial market and financial institutions signed a multilateral agreement with the Bank, "Astana-finance" JSC and other subsidiaries of the Company prohibiting certain intergroup transactions.

On 19 May 2010 the Company transferred 100% of its shareholding to the trust management of Sovereign Wealth Fund "Samruk Kazyna" JSC (the "Fund"). The Fund undertook to perform the Bank's shareholder functions on a temporary basis for the shortest of 12 months and the period up to the date the Company's restructuring plan is approved by the Kazakhstan court and all the actions agreed in the restructuring plan are implemented.

On 21 January 2013 "Astana Finance" JSC and two individuals, Mr. Rakishev K.H. and Mr. Tokhtarov O.T., signed an agreement on sale of 100% of shares of the Bank. On 3 May 2013, Astana Finance disposed 49% of its shareholding in the Bank, when the share sale deal was approved by the Committee on control and supervision of financial market and financial institutions, and new shareholders were granted the status of significant shareholders. The disposal of the remaining 51% of issued shares was subject to satisfaction of the conditions precedent of the Company completing the restructuring. Management of the Bank determined that although "Astana Finance" JSC owned 51% of shares of the Bank as at 31 December 2013, it lost control over the Bank when new shareholders acquired 49% of the shares of the Bank on 3 May 2013. This is because the Company's status of a bank holding company has been previously revoked by the Committee and as a result the Company's voting rights are suspended.

1 Background, continued

(b) Shareholders, continued

On 31 December 2014 new shareholders purchased additional 100,000 shares of the Bank.

Taking into account the implementation of the provisions of the Restructuring Plan of JSC "Astana Finance" approved by NBRK and Specialised Interdistrict Economic Court of Almaty (the "Court") on 24 April 2015 and 27 April 2015, respectively, the Court decided to complete the restructuring on 2 June 2015. The restructuring was completed on 23 June 2015. As a result, Astana Finance JSC disposed of the remaining 51% to certain individual shareholders.

On 29 July 2015 Mr. Rakishev K.H. also fully disposed of his share of ownership by selling 2,362,792 ordinary shares to minority shareholders of the Bank.

On 16 November 2015 Mr. Tokhtarov O.T. purchased 7,200,000 ordinary shares of the Bank. On 4 December 2015 Mr. Tokhtarov O.T. sold 1,485,047 ordinary shares of the Bank to Mr. Kashkinbaev T.I.

On 28 June 2016, the Bank issued 6,400,000 ordinary shares of the Bank, 4,699,515 of these shares were purchased by Mr. Tokhtarov O.T.

On 30 September 2016, Mr. Tokhtarov O.T. purchased 8,333,334 ordinary shares of the Bank.

During 2016, the Bank made repurchases of its own shares in the total quantity of 2,851,199.

In 2017 the Bank increased the number of authorised shares to 100,000,000 shares. On 7 June 2017, Mr. Tokhtarov O.T. purchased an additional 1,739,131 ordinary shares of the Bank, for consideration of KZT 2,000,001 thousand, which was settled in cash.

On 8 June 2017 the Bank signed an agreement with another investor (Mr. Ashkenov) for the sale of 6,956,522 ordinary shares of the Bank. This transaction is subject to the approval of the National Bank of the Republic of Kazakhstan, which has been applied for and which management of the Bank do not expect will be withheld. The cash consideration for this share purchase amounts to KZT 8,000,000 thousand, which is currently on deposit with the Bank. Management is satisfied that the Bank has no contractual obligation to return this cash, unless National Bank approval is not received.

(c) Kazakhstan business environment

The Bank's operations are primarily located in Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the recent significant depreciation of the Kazakhstan tenge, and the reduction in the global price of oil, have increased the level of uncertainty in the business environment.

The financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

1 Background, continued

(d) Kazakhstan banking sector risks and going concern

Following the depreciation of the Kazakhstan Tenge in 2015, the banking sector in Kazakhstan has experienced significant challenges, and during 2016 and 2017, two commercial banks are known to have encountered difficulty in meeting their obligations to creditors. These events have increased the general level of uncertainty in the banking sector, which has manifested itself through a tightening of liquidity markets and significant outflows of deposits for certain banks. The National Bank of Kazakhstan has also recently announced its plans for a rehabilitation program to support those banks experiencing deterioration in their asset quality.

Credit risk

At 31 December 2016, management has identified impairment indicators in approximately 35% of the Bank's corporate loan portfolio. The majority of these impaired loans are collateralised by pledges including cash deposits, property, land, or other less liquid assets. The potential future realisation proceeds from such collateral has been estimated by the Bank, with support from independent appraisers, and this is a key assumption which affects the measurement of impaired loans, and is subject to significant judgement. In addition, as at 31 December 2016, approximately 29% of the Bank's corporate loans are made to fund companies which are in the start up phase, or for projects such as the ongoing construction of assets which have not yet been put into operation. The ultimate recoverability of such loans is primarily dependent on the successful future completion of the underlying projects. This increases the level of estimation risk in the valuation of the loans, and this may lead to significant losses emerging in future periods, in the event the projects are not successful.

Actions taken by the bank to manage credit risk during 2016 are disclosed in note 26 (c). These include maintaining sufficient collateral for corporate loans, and ongoing monitoring of the loan portfolio. Management have also sought to increase the level of regulatory capital in the bank, in order to provide an adequate buffer to absorb possible future additional credit losses, in the event these arise. As at 31 December 2016, management estimate that there is sufficient capital to absorb an additional KZT 10,000,000 thousand of credit losses, before the k1 regulatory capital ratio would be breached.

Liquidity risk

As explained in Note 26 (d), included in corporate current accounts and demand deposits is an amount of KZT 85,855,496 thousand at 31 December 2016, which is repayable on demand to a single counterparty. Based on its communication with the counterparty, the Bank does not expect that this balance will be fully withdrawn within at least the next two years, but this nevertheless represents a significant concentration of liquidity risk. Furthermore, in the period from 31 December 2016 to 30 June 2017, the total customer deposits held by the bank decreased from KZT 295,582,457 thousand to KZT 261,282,787 thousand. These financial statements are prepared on the basis that the Bank will continue to maintain its customer deposit base. However, the Bank, along with other Banks operating in the sector, remains subject to the risk that in the event of a major and unexpected outflow of customer deposits there could be a significant adverse effect on its operations.

Actions taken by the Bank to manage its liquidity risk include the maintenance of significant liquid assets in the form of cash and cash equivalents, and the ongoing monitoring of those customer deposits which present large concentrations of liquidity risk, as disclosed in note 26 (d). In addition, the majority shareholder of the Bank has indicated his willingness to provide further funding if required, in order to provide some assistance with liquidity shortfalls if this becomes necessary.

1 Background, continued

(d) Kazakhstan banking sector risks and going concern, continued

Management have implemented the following futher measures to address credit risk and liquidity risk in the period subsequent to 31 December 2016:

- management have continued to enhance the level of collateral held to secure the corporate loan portfolio;
- in June 2017 the share capital was increased by KZT 2,000,001 thousand by the purchase of shares by Mr. Tokhtarov (refer to Note 1 (b));
- in May 2017 Mr. Ashkenov placed the cash deposit in amount of USD 24 386 thousand, which will be used for purchase of ordinary shares of the Bank after approval from the National Bank (refer to Note 1 (b));
- management have reviewed their credit line arrangements with other counterparties which could be drawn down in the event of liquidity shortages;
- an Initial Public Offering procedure was announced as at 8 June 2017 (refer to Note 33), and took place on 30 June 2017. The Bank attracted KZT 6,500,000 thousand through the sale of 5,600,000 of its ordinary shares on the Kazakhstan Stock Exchange.

Taking into account all available information about the future which is at least, but not limited to, twelve months from the end of the reporting period, the above conditions indicate a material uncertainty with regard to the Bank's ability to continue as a going concern.

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss, available-for-sale financial assets and land and buildings are stated at fair value.

(c) Functional and presentation currency

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

The KZT is also the presentation currency for the purposes of these financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the Note 16 – Loans to customers and Note 18 – Other assets.

2 Basis of preparation, continued

(c) Changes in accounting policies and presentation

The Bank has adopted the Disclosure Initiative (Amendments to IAS 1) with a date of initial application of 1 January 2016. These amendments clarify the materiality principle. In particular, it has been made explicit that companies should disaggregate line items in the statement of financial position and in the statement of profit or loss and other comprehensive income if this provides helpful information to users; and can aggregate line items in the statement of financial position and in the statement of profit or loss and other comprehensive income if the line items specified by IAS 1 are immaterial.

Following these amendments presentation of financial statements was changed as follows:

KZT'000	As previously reported	Effect of reclassifications	As reclassified
Statement of Financial Position as at 31 December 2015			
ASSETS			
Loans to customers	131,824,973	(131,824,973)	-
- Loans to corporate customers	-	22,127,214	22,127,214
- Loans to small and medium sized companies	-	78,907,340	78,907,340
- Loans to retail customers	-	30,790,419	30,790,419
LIABILITIES			
Current accounts and deposits from customers	145,182,100	(145,182,100)	-
- Current accounts and deposits from corporate customers	-	117,896,434	117,896,434
- Current accounts and deposits from retail customers	-	27,285,666	27,285,666

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, and are applied consistently by the Bank.

(a) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Bank entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

3 Significant accounting policies, continued

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments. The mandatory reserve deposit with the NBRK is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(i) Classification, continued

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss
- the Bank designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest
- held-to-maturity investments that are measured at amortised cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(v) Fair value measurement principles, continued

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Bank writes off assets deemed to be uncollectible.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for land and buildings, which are stated at revalued amounts as described below

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Revaluation

Land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land and buildings being revalued. A revaluation increase on a land and a building is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a land and a building is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- buildings	10-100 years;
- furniture and equipment	7-10 years;
- vehicles	7 years;
- computer equipment	3-5 years;
- leasehold improvements	3-5 years.

3 Significant accounting policies, continued

(e) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 3 to 20 years.

(f) Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Bank determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Bank reviews its loans and receivables to assess impairment on a regular basis. The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

3 Significant accounting policies, continued

(g) Impairment, continued

(i) Financial assets carried at amortised cost, continued

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iii) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3 Significant accounting policies, continued

(i) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Loan commitments are not recognised, except for the followings:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
- commitments to provide a loan at a below-market interest rate.

(j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3 Significant accounting policies, continued

(k) Taxation,continued

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Segment reporting

The Bank's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 Operating Segments. The Bank's assets are concentrated primarily in the Republic of Kazakhstan, and the majority of the Bank's revenues and profit is derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Bank, the Chairman of the Management Board, only receives and reviews the information on the Bank as a whole.

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2016, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective.

IFRS 9 Financial instruments

IFRS 9 *Financial instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, and includes requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

(i) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the whole hybrid instrument is assessed for classification. Equity investments are measured at fair value.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

3 Significant accounting policies, continued

(u) New standards and interpretations not yet adopted, continued

IFRS 9 Financial instruments, continued

(i) Classification and measurement, continued

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. The new impairment model generally requires to recognise expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Under IFRS 9, impairment is measured as either expected credit losses resulting from default events on the financial instrument that are possible within the next 12 months ('12-month ECL') or expected credit losses resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Initial amount of expected credit losses recognised for a financial asset is equal to 12-month ECL (except for certain trade and lease receivables, and contract assets, or purchased or originated credit-impaired financial assets). If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

Financial assets for which 12-month ECL is recognised are considered to be in stage 1; financial assets that have experienced a significant increase in credit risk since initial recognition, but are not defaulted are considered to be in stage 2; and financial assets that are in default or otherwise credit-impaired are considered to be in stage 3.

Measurement of expected credit losses is required to be unbiased and probability-weighted, should reflect the time value of money and incorporate reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. Under IFRS 9, credit losses are recognised earlier than under IAS 39, resulting in increased volatility in profit or loss. It will also tend to result in an increased impairment allowance, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population with objective evidence of impairment identified under IAS 39.

Calculation of expected credit losses is likely to be based on the approach (at least for some portfolios), depending on the type of the exposure, stage at which the exposure is classified under IFRS 9, collective or individual assessment, etc.

(iii) Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, aligning the hedge accounting more closely with risk management strategies. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project. IFRS 9 includes an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39.

(iv) Transition

The classification and measurement and impairment requirements are generally applied retrospectively (with some exemptions) by adjusting the opening retained earnings and reserves at the date of initial application, with no requirement to restate comparative periods.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption of the standard is permitted. The Bank does not intend to adopt the standard earlier.

3 Significant accounting policies, continued

(в) New standards and interpretations not yet adopted, continued

IFRS 9 Financial instruments, continued

(iv) Transition,continued

The Bank has not started a formal assessment of potential impact on its financial statements resulting from the application of IFRS 9 neither has initiated any specific actions towards the preparation for implementation of IFRS 9. Accordingly, it is not practicable to estimate the impact that the application of IFRS 9 will have on the Bank's financial statements.

IFRS 16 Leases

IFRS 16 *Leases* replaces the existing lease accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 Revenue from Contracts with Customers is also adopted. The Bank does not intend to adopt this standard early. The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

Other amendments

The following new or amended standards are not expected to have a significant impact of the Bank's financial statements:

- Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*);
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12 *Income Taxes*).

4 Net interest income

	2016 KZT'000	2015 KZT'000
Interest income		
Loans to customers	21,040,555	12,475,812
Cash and cash equivalents	5,203,722	1,679,788
Loans and advances to banks and other financial institutions	562,716	275,095
Available-for-sale financial assets	173,852	241,837
	26,980,845	**14,672,532**
Interest expense		
Current accounts and deposits from customers	(15,292,663)	(6,479,963)
Deposits and balances from banks and other financial institutions	(4,011,340)	(1,925,496)
Subordinated bonds and debt securities issued	(614,209)	(21,193)
Amounts payable under repurchase agreements	(3,383)	(8,737)
	(19,921,595)	**(8,435,389)**
	7,059,250	**6,237,143**

Included within various line items under interest income for the year ended 31 December 2016 is a total of KZT 4,187,764 thousand (2015: KZT 1,818,065 thousand) accrued on impaired financial assets.

Included within interest expense on current accounts and deposits from customers for the year ended 31 December 2016 is total of KZT 3,011,123 thousand (2015: KZT 1,853,872 thousand) expenses on agency fees which is directly related to obtaining these deposits.

5 Fee and commission income

	2016 KZT'000	2015 KZT'000
Guarantee and letter of credit issuance	1,430,067	647,173
Cash transactions	192,119	208,947
Settlement	166,323	113,433
Foreign exchange	131,640	117,065
Loan origination fee	228	814
Other	162,239	84,816
	2,082,616	**1,172,248**

6 Fee and commission expense

	2016 KZT'000	2015 KZT'000
Credit transactions	358,072	98,965
Payment transfers	63,930	40,266
Brokerage services	9,520	18,579
Other	42,897	4,726
	474,419	**162,536**

7 Net foreign exchange gain

	2016 KZT'000	2015 KZT'000
Net gain from spot transactions	418,257	902,016
Net loss from revaluation of financial assets and liabilities	(223,379)	(62,900)
	194,878	**839,116**

8 Other operating income, net

	2016 KZT'000	2015 KZT'000
Other operating income		
Fines and penalties	242,245	198,307
Other	36,803	30,864
	279,048	**229,171**
Other operating expense		
Collection companies	(201,487)	-
Subscriptions and information services	(178,432)	(99,138)
Inventory write-offs	(116,174)	(21,764)
Corporate events	(105,777)	(42,994)
"Cash back" function expenses	(104,997)	-
Rating agencies services	(36,069)	(40,033)
Fines and penalties	(19,837)	(12,938)
Charity	(275)	(25,077)
Other	(230,176)	(114,100)
	(993,224)	**(356,044)**
	(714,176)	**(126,873)**

9 Impairment reversal (losses)

	2016 KZT'000	2015 KZT'000
Loans to customers	(118,058)	(2,969,281)
Other assets	(361,290)	(396,078)
Loans and advances to banks and other financial institutions	4,421	12,387
	(474,927)	**(3,352,972)**

For information about changes in assumptions and estimates relating to loan impairment which impact profit or loss in 2016 please see note 16.

10 Personnel expenses

	2016 KZT'000	2015 KZT'000
Employee compensation	1,684,487	1,543,044
Payroll related taxes	173,361	109,312
	1,857,848	**1,652,356**

11 Other general administrative expenses

	2016 KZT'000	2015 KZT'000
Professional services	1,147,680	91,231
Operating lease expense	821,977	415,419
Depreciation and amortisation	562,954	221,386
Advertising and marketing	337,209	269,149
Taxes other than on income	317,159	119,594
Communications and information services	146,757	46,783
Travel expenses	110,389	19,169
Insurance	81,577	112,837
Security	79,686	43,830
Transportation	79,523	37,306
Utilities and cleaning services	79,461	50,004
Repairs and maintenance	50,891	87,690
Encashment services	39,056	18,157
Representation	10,477	1,367
Trainings	6,474	10,329
Other	408,126	156,210
	4,279,396	**1,700,461**

Professional services expenses mainly comprise consultancy and marketing services relating to the development of the Bank's strategy during 2016.

12 Income tax expense

	2016 KZT'000	2015 KZT'000
Current year tax expense	(392,169)	(470,373)
Current tax expense underprovided in prior years	-	(212,276)
Deferred taxation movement due to origination and reversal of temporary differences	(82,206)	17,491
Total income tax expense	**(474,375)**	**(665,158)**

In 2016 the applicable tax rate for current and deferred tax is 20% (2015: 20%).

Reconciliation of effective tax rate:

	2016 KZT'000	%	2015 KZT'000	%
Profit before income tax	**1,339,390**	**100**	**2,173,253**	**100**
Income tax at the applicable tax rate	(267,878)	(20)	(434,651)	(20)
Non-deductible expenses	(206,497)	(15)	(18,231)	(1)
Underprovided in prior years	-	-	(212,276)	(10)
	(474,375)	**(35)**	**(665,158)**	**(31)**

12 Income tax expense, continued

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2016 and 2015. These deferred tax assets have been recognised in these financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods.

The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2016 and 2015 are presented as follows.

2016 KZT'000	Balance 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2016
Financial instruments at fair value through profit or loss	(59,184)	59,184	-	-
Property, equipment and intangible assets	(151,410)	(167,341)	-	(318,751)
Loans to customers	47,143	-	-	47,143
Other assets	41,838	-	-	41,838
Other liabilities	-	5,779	-	5,779
Interest payable on deposits and balances from banks and other financial institutions	63,168	16,932	-	80,100
Interest payable on current accounts and deposits from customers	13,293	-	-	13,293
Vacation reserve	5,615	3,240	-	8,855
	(39,537)	**(82,206)**	**-**	**(121,743)**

2015 KZT'000	Balance 1 January 2015	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2015
Financial instruments at fair value through profit or loss	-	(59,184)	-	(59,184)
Property, equipment and intangible assets	(28,997)	(47,048)	(75,365)	(151,410)
Loans to customers	9,542	37,601	-	47,143
Other assets	366	41,472	-	41,838
Interest payable on deposits and balances from banks and other financial institutions	33,341	29,827	-	63,168
Interest payable on current accounts and deposits from customers	(229)	13,522	-	13,293
Vacation reserve	4,314	1,301	-	5,615
	18,337	**17,491**	**(75,365)**	**(39,537)**

13 Cash and cash equivalents

	2016 KZT'000	2015 KZT'000
Cash on hand	**4,420,104**	**2,178,683**
Cash equivalents		
Nostro accounts with the NBRK	**100,479,649**	**39,575,056**
Nostro accounts with other banks		
- rated A- to A+	-	79,778
- rated from BB- to BB+	1,697,844	490,364
- rated from B- to B+	30,527	1,990,584
- rated below B-	1,896,885	-
- not rated	768,750	-
Total nostro accounts with other banks	**4,394,006**	**2,560,726**
Term deposits with the NBRK	**23,007,028**	**-**
Term deposits with other banks		
- rated A- to A+	-	2,545,833
- rated from B- to B+	2,084,833	5,136,485
Total term deposits with other banks	**2,084,833**	**7,682,318**
Amounts receivable under reverse repurchase agreements		
- not rated	4,695,032	-
Total cash equivalents	**134,660,548**	**49,818,100**
Total cash and cash equivalents	**139,080,652**	**51,996,783**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

None of cash and cash equivalents are impaired or past due.

As at 31 December 2016 the Bank has one bank (31 December 2015: three banks), whose balance exceeds 10% of equity. The gross value of these balances as at 31 December 2016 is KZT 123,486,677 thousand (2015: KZT 47,257,374 thousand).

In December 2016 the Bank concluded a reverse repurchase agreement with a second-tier bank in the amount of KZT 4,695,032 thousand.

(a) Collateral accepted as security

As at 31 December 2016 treasury bills of the Ministry of Finance of the Republic of Kazakhstan with fair value of KZT 296,467 thousand, corporate bonds with fair value of KZT 50,533 thousand and shares of legal entities and second-tier banks KZT 4,369,614 thousand were accepted as collateral for reverse repurchase agreements.

Minimum reserve requirements

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand and balances on current account with the NBRK for the two week period calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other Bank liabilities. As at 31 December 2016 the minimum reserve is KZT 4,982,951 thousand (31 December 2015: KZT 2,309,547 thousand).

14 Available-for-sale financial assets

	2016 KZT'000	2015 KZT'000
Debt and other fixed-income instruments		
- Bonds of Ministry of Finance of RK	474,010	664,542
- Bonds of Halyk Savings Bank	1,254,309	-
- Bonds of Freedom Finance	979,175	-
Equity instruments		
- Shares of Qazaq Banki	167,250	93,000
Total available-for-sale financial assets	**2,874,744**	**757,542**

No available-for-sale financial assets are impaired or past due.

15 Loans and advances to banks and other financial institutions

	2016 KZT'000	2015 KZT'000
Deposits in banks		
- rated from B- to B+	6,267,808	8,967,748
	6,267,808	**8,967,748**
Loans to other financial institutions		
- not rated	344,006	379,342
Gross loans to other financial institutions	**344,006**	**379,342**
Impairment allowance	(69)	(9,079)
Net loans to other financial institutions	**343,937**	**370,263**
Reverse repurchase agreements	-	4,002,000
	6,611,745	**13,340,011**

In 2015 the Bank concluded a reverse repurchase agreement with a second-tier bank in the amount of KZT 4,002,000 thousand.

(a) Collateral accepted as security

As at 31 December 2015 treasury bills of the Ministry of Finance of the Republic of Kazakhstan with fair value of KZT 9,259,040 thousand were accepted as collateral for reverse repurchase agreements.

Movement in the loan impairment allowance of loans and advances to banks and other financial institutions for the year ended 31 December 2016 and 31 December 2015 is as follows:

	2016 KZT'000	2015 KZT'000
Balance at the beginning of the year	9,079	20,994
Net reversal	(4,421)	(12,387)
Write-off of previously written-off loans	(4,589)	472
Balance at the end of the year	**69**	**9,079**

16 Loans to customers

	2016 KZT'000	2015 KZT'000
Loans to corporate customers		
Loans to large corporates	31,170,157	24,952,469
Loans to small and medium size companies	112,507,269	83,838,702
Total loans to corporate customers	**143,677,426**	**108,791,171**
Loans to retail customers		
Mortgage loans	9,776,487	6,052,367
Consumer loans	32,074,115	20,351,870
Auto loans	2,921	3,634
Other	2,738,222	4,673,867
Total loans to retail customers	**44,591,745**	**31,081,738**
Gross loans to customers	**188,269,171**	**139,872,909**
Impairment allowance	(6,600,521)	(8,047,936)
Net loans to customers	**181,668,650**	**131,824,973**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2016 are as follows:

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	7,756,617	291,319	8,047,936
Net (reversal)/charge	(705,785)	823,843	118,058
Write-offs	(1,323,552)	(149,544)	(1,473,096)
Effect of foreign currency translation	(39,382)	(52,995)	(92,377)
Balance at the end of the year	**5,687,898**	**912,623**	**6,600,521**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2015 are as follows:

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	4,077,542	90,224	4,167,766
Net charge	2,544,638	424,643	2,969,281
Recoveries	237,550	-	237,550
Write-offs	(221,590)	(260,246)	(481,836)
Effect of foreign currency translation	1,118,477	36,698	1,155,175
Balance at the end of the year	**7,756,617**	**291,319**	**8,047,936**

16 Loans to customers, continued

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2016:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	12,481,360	(74,888)	12,406,472	0.60
Impaired loans:				
- not past due	15,114,666	(257,864)	14,856,802	1.71
- overdue less than 30 days	1,441,091	(288)	1,440,803	0.02
- overdue 180-360 days	274,367	(55)	274,312	0.02
- overdue more than 360 days	1,858,673	(591,600)	1,267,073	31.83
Total impaired loans	18,688,797	(849,807)	17,838,990	4.55
Total loans to large corporates	**31,170,157**	**(924,695)**	**30,245,462**	**2.97**
Loans to small and medium size companies				
Loans without individual signs of impairment	78,217,771	(722,429)	77,495,342	0.92
Impaired loans:				
- not past due	21,390,015	(2,155,307)	19,234,708	10.08
- overdue less than 30 days	5,065,563	(439,547)	4,626,016	8.68
- overdue 30-89 days	4,259,608	(576,785)	3,682,823	13.54
- overdue 90-179 days	276,440	(93,892)	182,548	33.96
- overdue 180-360 days	3,241,949	(775,232)	2,466,717	23.91
- overdue more than 360 days	55,923	(11)	55,912	0.02
Total impaired loans	34,289,498	(4,040,774)	30,248,724	11.78
Total loans to small and medium size companies	**112,507,269**	**(4,763,203)**	**107,744,066**	**4.23**
Total loans to corporate customers	**143,677,426**	**(5,687,898)**	**137,989,528**	**3.96**

16 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not past due	7,622,901	(2,135)	7,620,766	0.03
- overdue less than 30 days	683,623	(9,979)	673,644	1.46
- overdue 30-89 days	436,947	(8,160)	428,787	1.87
- overdue 90-179 days	474,921	(29,736)	445,185	6.26
- overdue 180-360 days	427,948	(37,593)	390,355	8.78
- overdue more than 360 days	130,147	(10,532)	119,615	8.09
Total mortgage loans	**9,776,487**	**(98,135)**	**9,678,352**	**1.00**
Consumer loans				
- not past due	24,933,095	(256,024)	24,677,071	1.03
- overdue less than 30 days	5,006,765	(36,709)	4,970,056	0.73
- overdue 30-89 days	605,723	(106,422)	499,301	17.57
- overdue 90-179 days	383,042	(100,082)	282,960	26.13
- overdue 180-360 days	571,991	(164,768)	407,223	28.81
- overdue more than 360 days	573,499	(136,175)	437,324	23.74
Total consumer loans	**32,074,115**	**(800,180)**	**31,273,935**	**2.49**
Auto loans				
- not past due	2,921	-	2,921	0.00
Total auto loans	**2,921**	**-**	**2,921**	**0.00**
Other loans to retail customers				
- not past due	2,484,189	(5,501)	2,478,688	0.22
- overdue less than 30 days	194,695	(1,542)	193,153	0.79
- overdue 30-89 days	17,694	(3,687)	14,007	20.84
- overdue 180-360 days	22,796	(1,760)	21,036	7.72
- overdue more than 360 days	18,848	(1,818)	17,030	9.65
Total other loans to retail customers	**2,738,222**	**(14,308)**	**2,723,914**	**0.52**
Total loans to retail customers	**44,591,745**	**(912,623)**	**43,679,122**	**2.05**
Total loans to customers	**188,269,171**	**(6,600,521)**	**181,668,650**	**3.51**

16 Loans to customers, continued

(a) Credit quality of loans to customers, continued

The following table provides information on the credit quality of the loans to customers as at 31 December 2015:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	16,823,548	(226,971)	16,596,577	1.35
Impaired loans:				
- not past due	3,434,845	-	3,434,845	-
- overdue 90-179 days	2,327,330	(1,143,191)	1,184,139	49.12
- overdue more than 360 days	2,366,746	(1,455,093)	911,653	61.48
Total impaired loans	8,128,921	(2,598,284)	5,530,637	31.96
Total loans to large corporates	**24,952,469**	**(2,825,255)**	**22,127,214**	**11.32**
Loans to small and medium size companies				
Loans without individual signs of impairment	62,088,262	(1,173,258)	60,915,004	1.89
Impaired loans:				
- not past due	16,758,039	(2,892,164)	13,865,875	17.26
- overdue 30-89 days	3,519,971	(70,939)	3,449,032	2.02
- overdue 90-179 days	127,326	(127,326)	-	100.00
- overdue 180-360 days	232,258	-	232,258	-
- overdue more than 360 days	1,112,846	(667,675)	445,171	60.00
Total impaired loans	21,750,440	(3,758,104)	17,992,336	17.28
Total loans to small and medium size companies	**83,838,702**	**(4,931,362)**	**78,907,340**	**5.88**
Total loans to corporate customers	**108,791,171**	**(7,756,617)**	**101,034,554**	**7.13**

16 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to retail customers				
Mortgage loans				
- not past due	3,953,358	(1,671)	3,951,687	0.04
- overdue less than 30 days	1,202,886	(19,226)	1,183,660	1.60
- overdue 30-89 days	807,710	(46,486)	761,224	5.76
- overdue 90-179 days	23,978	-	23,978	-
- overdue more than 360 days	64,435	(9,242)	55,193	14.34
Total mortgage loans	**6,052,367**	**(76,625)**	**5,975,742**	**1.27**
Consumer loans				
- not past due	18,361,400	(16,208)	18,345,192	0.09
- overdue less than 30 days	947,436	(17,822)	929,614	1.88
- overdue 30-89 days	509,557	(43,953)	465,604	8.63
- overdue 90-179 days	267,708	(76,661)	191,047	28.64
- overdue 180-360 days	75,673	(50,537)	25,136	66.78
- overdue more than 360 days	190,096	(4,208)	185,888	2.21
Total consumer loans	**20,351,870**	**(209,389)**	**20,142,481**	**1.03**
Auto loans				
- not past due	3,634	-	3,634	-
Total auto loans	**3,634**	**-**	**3,634**	**-**
Other loans to retail customers				
- not past due	4,175,218	(1,654)	4,173,564	0.04
- overdue less than 30 days	434,899	(979)	433,920	0.23
- overdue 30-89 days	8,677	-	8,677	-
- overdue 90-179 days	14,210	-	14,210	-
- overdue 180-360 days	18,072	(1,140)	16,932	6.31
- overdue more than 360 days	22,791	(1,532)	21,259	6.72
Total other loans to retail customers	**4,673,867**	**(5,305)**	**4,668,562**	**0.11**
Total loans to retail customers	**31,081,738**	**(291,319)**	**30,790,419**	**0.94**
Total loans to customers	**139,872,909**	**(8,047,936)**	**131,824,973**	**5.75**

During the years ended 31 December 2016 and 2015 the Bank issued consumer loans to individuals, which are collateralised by pledges of cash deposits. The amount of these loans as at 31 December 2016 is KZT 16,665,305 thousand (31 December 2015: consumer loans: KZT 3,964,561 thousand). These loans are short term with maturity of 12 months.

As at 31 December 2016 and 31 December 2015 included in the loan portfolio are renegotiated loans to corporate and retail customers that would otherwise be past due. Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

16 Loans to customers, continued

(a) Credit quality of loans to customers, continued

As at 31 December 2016, approximately 29% of the Bank's corporate loans are made to fund companies which are in the start up phase, or for projects such as the ongoing construction of assets which have not yet been put into operation. Prior to granting these loans, the Bank performs an evaluation of the viability of the projects, and requires collateral to be provided. The Bank also undertakes monitoring of the progress of such projects against their initial budgets and considers that it has made a reasonable assessment of the future cash flows which will arise from these loans at 31 December 2016. However the ultimate recoverability of such loans is primarily dependant on the successful future completion of underlying projects, which may be adversely affected due to unforeseen delays, macroeconomic factors, or other events which emerge subsequent to the reporting date. This increases the level of estimation risk in the valuation of such loans and this feature is characteristic of most construction or project finance loans in the banking sector in general.

The Bank considers the credit risks associated with the above-mentioned projects to be less than the similar projects in the banking sector in general, due to the fact that realisation of prevailing majority of such projects at the Bank is executed with the participation of state development institutions (JSC DAMU fund, JSC KazAgro, JSC Agricultural Credit Corporation, JSC Zhilstroisberbank and others). The mentioned state corporations provide funding for the above-mentioned projects, subsidies and are the ultimate beneficiaries of the goods and services provided by such projects.

For example one of such projects is the construction of a poultry meat production factory (17% of the 29% share mentioned in the first paragraph of this note), whereby funds to finance this project has been provided by JSC Agricultural Credit Corporation and which at the end of Q2 2017 is at the stage of entering into the production phase. The Bank reasonably expects that this project will start generating sufficient cash flows in accordance with the original business model.

Another example is a trade mall construction project in Atyrau (17% of the 29% share mentioned in the first paragraph of this note). The project is subsidised by JSC DAMU and as at Q2 2017 the project has finished, the mall is operating at 92% capacity and is repaying its loan in accordance with the original repayment schedule.

One more project is the construction of a factory, which produces insulation material for construction (12% of the 29% share mentioned in the first paragraph of this note). The funds to finance this loan were provided by another state development institution, JSC National Agency of Technical Development. In the course of 12 months the unfinished factory project was successfully completed and is currently entering into production phase at the end of Q2 2017.

Another project which was financed by the Bank with the purpose of funding the purchase of a commercial building in the developed central part of Almaty (10% of the 29% share mentioned in the first paragraph of this note) has already been fully repaid in Q2 2017.

At 31 December 2016, management has identified impairment indicators in approximately 35% of the Bank's corporate loan portfolio. Such indicators arise mainly from delays by borrowers in meeting their contractual obligations to the Bank, or due to the worsening financial condition of borrowers. The majority of these impaired loans are collateralised by pledges including cash deposits, property, land, or other less liquid assets. The potential future realisation proceeds from such collateral has been estimated by the Bank, with support from independent appraisers, and this is a key assumption which affects the measurement of impaired loans. The Bank considers that it has made a reasonable estimate of these future cash flows, but due to factors such as the relatively illiquid property market in Kazakhstan, the future realisation proceeds from underlying collateral may be subject to significant variations compared to the Bank's estimates. This could potentially have a material impact on the loan impairment allowance in future periods. This feature is not unique to the Banks and is characteristic of most banking sector in general.

16 Loans to customers, continued

(b) Key assumptions and judgments for estimating the loan impairment

(i) Loans to corporate customers

The Bank estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for loans with individual signs of impairment and based on its past loss experience for portfolios of loans for which no individual signs of impairment has been identified.

In determining the impairment allowance for loans to corporate customers, management makes the following key assumptions:

- annual loss rate of 0.60% - 0.92% (2015: 1.35%-1.89%);
- a discount of between 20% and 40% to the originally appraised value if the property pledged is sold;
- a delay of 12 to 24 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2016 would be KZT 1,379,895 thousand lower/higher (2015: KZT 1,010,346 thousand lower/higher).

(ii) Loans to retail customers

The Bank estimates loan impairment for loans to retail customers based on its past historical loss experience on each type of loan and an assessment of the expected recoverable amounts from underlying collateral. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months;
- in respect of mortgage and consumer loans, a delay of 36 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 40% to the originally appraised value if the property pledged is sold through court procedures.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus one percent, the impairment allowance on loans to retail customers as at 31 December 2016 would be KZT 436,791 thousand lower/higher (2015: KZT 307,904 thousand).

16 Loans to customers, continued

(c) Analysis of collateral

(i) Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers to provide it.

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral as at 31 December 2016 and 2015:

	2016 KZT'000	% of loan portfolio	2015 KZT'000	% of loan portfolio
Mixed	53,651,669	38.88	32,553,931	32.22
Real estate	32,511,410	23.56	17,768,016	17.59
Money coming in the future	13,925,583	10.09	10,703,778	10.59
Cash deposit	9,444,796	6.84	2,888,927	2.86
Construction in progress	6,971,451	5.05	3,447,017	3.41
Guarantee	5,413,293	3.92	8,724,555	8.64
Equipment	5,127,870	3.72	7,576,303	7.50
Grain	2,924,265	2.12	2,814,258	2.79
Rights to claim to third parties	1,739,857	1.26	1,914,161	1.89
Securities	1,118,277	0.81	-	-
Goods in turnover	545,893	0.40	705,990	0.70
Land and rights of temporary land use	-	-	7,498,543	7.42
Other collateral	2,943,632	2.13	1,672,762	1.65
No collateral	1,671,532	1.22	2,766,313	2.74
	137,989,528	**100.00**	**101,034,554**	**100.00**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral. Mixed types of collateral include real estate, property complexes, equipment, vehicles, land, grain, guarantees, cash deposits and other. Loans with mixed type of collateral include cash deposits as collateral at the amount of KZT 482,313 thousand (2015: KZT 2,422,309 thousand).

Loans to corporate customers that are past due or impaired

Impaired or overdue loans to corporate customers are secured by collateral with a fair value of KZT 48,087,714 thousand (2015: KZT 23,522,973 thousand), excluding the effect of overcollateralisation.

Loans to corporate customers without individual signs of impairment

As at 31 December 2016 the fair value of cash balances, serving as collateral for loans to corporate customers, is KZT 9,444,796 thousand (2015: KZT 2,888,927 thousand).

16 Loans to customers, continued

(c) Analysis of collateral, continued

(i) Loans to corporate customers, continued

Loans to corporate customers without individual signs of impairment, continued

For remaining loans to corporate customers with a net carrying amount of KZT 80,457,018 thousand (2015: KZT 74,622,654 thousand), which are neither past due nor impaired, the fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

As at 31 December 2016, for loans to corporate customers with a carrying amount of KZT 42,134,573 thousand (2015: KZT 19,195,923 thousand) management estimates that the fair value of collateral is at least equal to their carrying amounts.

Repossessed collateral

During the year ended 31 December 2016, the Bank obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of KZT 5,822,820 thousand (31 December 2015: KZT 1,257,928 thousand).

(ii) Loans to retail customers

Mortgage loans

Mortgage loans are secured by the underlying housing real estate.

Included in mortgage loans are loans with a net carrying amount of KZT 909,531 thousand (2015: KZT 2,139,589 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 905,671 thousand (2015: KZT 1,601,141 thousand).

For mortgage loans with a net carrying amount of KZT 8,768,821 thousand (2015: KZT 3,836,153 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral at each reporting date in case there are indications of impairment.

During the year ended 31 December 2016 the Bank has purchased five portfolios of mortgage loans from "Investment Astana Group" JSC (formerly "BTA-Ipoteka" JSC) for the total amount of KZT 1,956,657 thousand.

Consumer loans

Consumer loans are secured by the underlying housing real estate. The Bank's policy is to issue consumer loans with a loan-to-value ratio (the ratio of market value of collateral to the loan amount) at the date of loan issuance of a maximum of 143% for loans to borrowers with confirmed sources of income and 200% for loans to borrowers with unconfirmed sources of income. Thus such consumer loans are collateralised by the real estate similar to the mortgage loans.

Included in consumer loans are loans with a net carrying amount of KZT 15,517,665 thousand (2015: KZT 16,128,125 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 7,458,645 thousand (2015: KZT 8,881,378 thousand), out of which KZT 1,652,503 thousand (2015: KZT 3,959,469 thousand) are highly liquid deposits.

For consumer loans with a net carrying amount of KZT 15,756,270 thousand (2015: KZT 4,014,356 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

16 Loans to customers, continued

(c) Analysis of collateral, continued

(ii) *Loans to retail customers, continued*

Consumer loans, continued

The Bank updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral at each reporting date in case there are indications of impairment.

Other loans

Included in other loans are loans with a net carrying amount of KZT 2,078,170 thousand (2015: KZT 4,491,363 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 773,983 thousand (2015: KZT 164,415 thousand).

For other loans with a net carrying amount of KZT 645,744 thousand (2015: KZT 177,199 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral at each reporting date in case there are indications of impairment.

(d) Industry and geographical analysis of the loan portfolio

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

	2016 KZT'000	2015 KZT'000
Loans to retail customers	44,591,745	31,081,738
Trade	35,009,651	28,971,406
Agriculture, forestry and timber	23,256,860	18,151,207
Manufacturing	20,628,612	5,886,415
Rent	17,686,980	9,603,301
Financial services	14,635,588	-
Services related to construction and assembly	10,032,430	6,286,973
Construction	5,562,171	4,112,103
Legal services	4,990,339	6,411,693
Mining/metallurgy	4,190,702	6,586,513
Logistics parks and transportation services	2,863,933	6,858,914
Mass media	1,468,932	-
Real estate	964,775	1,762,890
Factoring companies	604,459	2,764,586
Tourism	473,364	-
Microcredit organisations	20,170	640,328
Other services	-	4,584,835
Research and technology	-	3,939,042
Other	1,288,460	2,230,965
	188,269,171	**139,872,909**
Impairment allowance	(6,600,521)	(8,047,936)
	181,668,650	**131,824,973**

16 Loans to customers, continued

(e) Significant credit exposures

As at 31 December 2016 the Bank has sixteen borrowers (2015: sixteen borrowers), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2016 is KZT 77,661,670 thousand (2015: KZT 57,824,025 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 26 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Bank, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the term based on contractual terms.

17 Property, equipment and intangible assets

KZT'000	Land and buildings	Furniture and equipment	Vehicles	Computer equipment	Construction in progress	Leasehold improvements	Intangible assets	Total
Revalued amount/cost								
Balance at 1 January 2016	1,027,544	414,201	212,719	292,964	66,047	316,672	640,309	2,970,456
Additions	34,853	689,610	27,506	196,923	54,931	622,302	1,008,905	2,635,030
Disposals	-	(7,377)	-	(7,590)	-	-	(246)	(15,213)
Transfers	-	35,909	-	(6,434)	(30,613)	1,138		-
Balance at 31 December 2016	**1,062,397**	**1,132,343**	**240,225**	**475,863**	**90,365**	**940,112**	**1,648,968**	**5,590,273**
Depreciation and amortisation								
Balance at 1 January 2016	16,020	173,340	48,911	148,183	-	3,012	304,877	694,343
Depreciation and amortisation for the year	14,112	144,365	32,105	69,845	-	112,640	189,887	562,954
Disposals	-	(7,088)	-	(7,590)	-	-	(246)	(14,924)
Balance at 31 December 2016	**30,132**	**310,617**	**81,016**	**210,438**	**-**	**115,652**	**494,518**	**1,242,373**
Carrying amount								
At 31 December 2016	**1,032,265**	**821,726**	**159,209**	**265,425**	**90,365**	**824,460**	**1,154,450**	**4,347,900**

17 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Furniture and equipment	Vehicles	Computer equipment	Construction in progress	Leasehold improvements	Intangible assets	Total
Revalued amount/cost								
Balance at 1 January 2015	970,401	286,602	139,572	194,824	35,969	211,230	400,552	2,239,150
Additions	57,537	126,592	89,160	94,470	35,950	105,442	239,757	748,908
Disposals	(394)	(1,195)	(16,013)	-	-	-	-	(17,602)
Transfers	-	2,202	-	3,670	(5,872)	-	-	-
Balance at 31 December 2015	**1,027,544**	**414,201**	**212,719**	**292,964**	**66,047**	**316,672**	**640,309**	**2,970,456**
Depreciation and amortisation								
Balance at 1 January 2015	4,372	124,363	26,572	111,111	-	717	208,505	475,640
Depreciation and amortisation for the year	11,930	49,880	23,837	37,072	-	2,295	96,372	221,386
Disposals	(282)	(903)	(1,498)	-	-	-	-	(2,683)
Balance at 31 December 2015	**16,020**	**173,340**	**48,911**	**148,183**	**-**	**3,012**	**304,877**	**694,343**
Carrying amount								
At 31 December 2015	**1,011,524**	**240,861**	**163,808**	**144,781**	**66,047**	**313,660**	**335,432**	**2,276,113**

During 2016 land and buildings were not revalued as management performed an assessment of the property market and determined that the carrying amount of land and buildings was materially consistent with the fair value as determined at 31 December 2015.

During 2014, the Bank has purchased a building located in Almaty, Shevchenko Street, 80 for KZT 491,994 thousand. As at 28 July 2014 the building was revalued up to KZT 843,631 thousand based on the results of an independent appraisal performed by "Independent Appraisal" LLC. The carrying value of buildings as at 31 December 2016, if the buildings would not have been revalued, would be KZT 591,248 thousand (2015: KZT 589,203 thousand).

There are no capitalised borrowing costs related to the acquisition or construction of plant and equipment during 2016 and 2015.

18 Other assets

	2016 KZT'000	2015 KZT'000
Accounts receivable on sold loans	7,323,439	14,163,031
Prepayment for purchased loans to customers	-	3,640,019
Other accounts receivable	1,414,007	237,807
Accrued commission income	12,889	9,372
Total other financial assets	**8,750,335**	**18,050,229**
Foreclosed assets	7,506,152	1,697,847
Guarantee receivable	5,668,442	1,509,051
Capital expenditure	3,732,699	704,820
Prepayments	618,300	732,626
Prepaid taxes other than on income	289,530	427,283
Materials and supplies	169,840	54,831
Prepaid income tax	99,135	-
Advances to employees	97,985	57,877
Other	187,447	294,180
Impairment allowance	(698,919)	(349,617)
Total other non-financial assets	**17,670,611**	**5,128,898**
Total other assets	**26,420,946**	**23,179,127**

During the year ended 31 December 2016, the Bank has sold two corporate and six small and medium sized companies' impaired loans to Law Firm Nexum LLC in the total amount of KZT 2,920,304 thousand. The accounts receivable contractually mature in 2017. Management believes that these sales qualify for the derecognition criteria for financial assets, as all risks and rewards related to these assets were transferred to the buyers.

The sale of the above-mentioned loans was conducted on market terms and is considered by management as arm's length transaction. The Law Firm Nexum LLC has provided sufficient evidence of its ability to repay the receivable and provided additional collateral in the amount of 1,200,000 thousand as a cash deposit in Q2 2017.

Within the course of the loans' sale transaction the impairment allowance was recovered in the amount of 1,500,000 thousand based on the credit risk profile of the Nexum LLC, its collector experience, legal expertise, contractual obligation to provide additional collateral and its financial position. It should be noted that the mentioned impairment allowance recovery coincided with the accrual of during the same reporting period of additional impairment allowances on other loans. Management consider that the net profit and loss effect of this reversal of allowances on the sold loans, and accrual of additional allowances on remaining loans was not significant.

The Law Firm Nexum LLC has partially repaid the receivable in 2016 in the amount of KZT 598,016 thousand, and KZT 69,123 thousand in 2017. Management believes this is a strong indication of the ability of the Law Firm Nexum LLC to repay its remaining receivables to the Bank in accordance with the schedule.

18 Other assets, continued

(a) Analysis of collateral

As at 31 December 2016, the abovementioned accounts receivable on sold loans were collateralised by the following collateral:

	2016 KZT'000	2015 KZT'000
Real estate	3,324,766	9,074,225
Goods in turnover	14,636	1,174,042
Guarantee	1,334,447	368,757
Land and rights of temporary land use	2,649,590	655,908
No collateral	-	2,890,099
	7,323,439	14,163,031

The amounts shown in the table above represent the carrying value of the accounts receivable on sold loans, and do not necessarily represent the fair value of the collateral.

Movements in the impairment allowance for the years ended 31 December 2016 and 2015 are as follows:

	2016 KZT'000	2015 KZT'000
Balance at the beginning of the year	349,617	185,128
Net charge	361,290	396,078
Write-off of previously written-off other assets	(11,988)	(231,589)
Balance at the end of the year	**698,919**	**349,617**

As at 31 December 2016, included in other assets are overdue receivables from third parties in the amount of KZT 14,916 thousand (2015: KZT 49,819 thousand) and KZT 95,665 thousand (2015: KZT 121,180 thousand), which are overdue for more than 90 days but less than one year and overdue for more than one year, respectively.

19 Deposits and balances from banks and other financial institutions

	2016 KZT'000	2015 KZT'000
Loans	25,088,365	13,357,308
Term deposits	6,011,565	32,443,247
Loro accounts	-	44,329
	31,099,930	45,844,884

Included above within loans are amounts received from JSC Entrepreneurship Development Fund "Damu" under the Program of conditional investment of funds in the second-tier banks for further lending to small and medium enterprises with a total balance of KZT 3,328,806 thousand (31 December 2015: KZT 739,655 thousand), the National Management Holding "Kaz-Agro" JSC under the agro-industrial financing program with a total balance of KZT 6,754,465 thousand (31 December 2015: KZT 7,876,622 thousand), "Agrarnaya Kreditnaya Korporatsiya" JSC with a total balance of KZT 9,443,232 thousand (2015: KZT 4,741,031 thousand), "Development Bank of Kazakhstan" JSC with a total balance of KZT 4,584,462 (31 December 2015: nil) and "Chelindbank" JSC with a total balance of KZT 977,400 thousand (31 December 2015: nil).

19 Deposits and balances from banks and other financial institutions, continued

Included in term deposits are the deposits from Nurbank JSC of KZT 451,924 thousand (31 December 2015: nil), House Construction Savings Bank JSC with a total balance of KZT 4,218,029 thousand (31 December 2015: nil), Home Credit Bank JSC with a total balance of KZT 1,000,939 thousand (31 December 2015: nil) and Delta Bank JSC with a total balance of KZT 340,673 thousand (31 December 2015: nil).

20 Current accounts and deposits from customers

	2016 KZT'000	2015 KZT'000
Current accounts and demand deposits		
- Retail	11,294,929	1,532,682
- Corporate	130,142,781	44,921,637
Term deposits		
- Retail	32,718,441	25,752,984
- Corporate	121,426,306	72,974,797
	295,582,457	**145,182,100**

As at 31 December 2016, the Bank has fourteen customers (2015: sixteen customers), whose balances exceed 10% of equity. These balances as at 31 December 2016 amount to KZT 191,058,457 thousand (2015: KZT 71,161,601 thousand). Included in corporate current accounts and demand deposits is a single amount of KZT 85,855,496 thousand which is repayable on demand to a single counterparty. Although based on their discussions with the counterparty, management expect that this deposit will not be withdrawn, this nevertheless represents a significant concentration of liquidity risk.

As at 31 December 2016, the Bank maintained customer deposit balances of KZT 26,165,197 thousand (31 December 2015: KZT 2,803,587 thousand) that serve as collateral for loans and off-balance credit instruments granted by the Bank.

21 Subordinated bonds

	2016 KZT'000	2015 KZT'000
Bonds issued, nominal value	-	7,803,585
Discount	-	(804,332)
Accrued interest	-	23,411
	-	**7,022,664**

On 24 August 2016, Bank repurchased subordinated bonds issued by the Bank which matured on 20 December 2025 and carried on an annual interest rate of 12%.

22 Other liabilities

	2016 KZT'000	2015 KZT'000
Letters of credit and guarantees issued	1,409,651	1,033,567
Payables to employees	3,137	1,600
Accrued operating expenses	306,232	249,138
Other creditors on bank activity	265,676	-
Total other financial liabilities	**1,984,696**	**1,284,305**
Prepayments on banking operations	177,094	89,414
Vacation reserve	88,943	72,745
Other taxes payable	144,377	415,280
Other non-financial liabilities	79,392	155,980
Total other non-financial liabilities	**489,806**	**733,419**
Total other liabilities	**2,474,502**	**2,017,724**

23 Share capital

(a) Issued capital

As at 31 December 2016, the authorised share capital comprised 32,000,000 shares (2015: 32,000,000 ordinary shares) and authorised, issued and fully paid share capital comprised 29,733,800 ordinary shares (2015: 15,000,466 ordinary shares). The shares do not have a par value. During the year ended 31 December 2016 14,733,334 ordinary shares (2015: 7,200,000 ordinary shares) were issued at KZT 625 and 1200 per share (2015: KZT 625 per share). During the year ended 31 December 2016 the Bank repurchased 2,851,199 (2015: nil) of its own ordinary shares.

In Q4 2016 Bank was formally approached by one its minority shareholders with a request to repurchase his shares at market price. The Board of Directors has made a decision to satisfy the request of the minority shareholder in accordance with the approved share repurchase methodology of the Bank and the legislation of the Republic of Kazakhstan. Bank has repurchased shares based on the applicable market price at Kazakhstan Stock Exchange, which was 19 999 KZT per ordinary share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

(b) Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

(c) Dividends

In accordance with Kazakhstan legislation the Bank's distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency. In accordance with the legislation of the Republic of Kazakhstan, as at the reporting date reserves available for distribution amounted to KZT 2,455,140 thousand (2015: KZT 1,587,111 thousand).

There were no dividends declared during the years ended 31 December 2016 and 2015.

24 Earnings per share

	2016 KZT'000	2015 KZT'000
Earnings per share		
Basic earnings per share (in KZT)	43.2	171.6

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2016 is based on the profit attributable to ordinary shareholders of KZT 865,015 (2015: KZT 1,508,095), and a weighted average number of ordinary shares outstanding of 20,026,199 (2015:8,786,767) calculated as follows.

	2016 KZT'000	2015 KZT'000
Net profit	865,015	1,508,095
Dividends on non-redeemable preference shares	-	-
Net profit attributable to ordinary shareholders	**865,015**	**1,508,095**
Issued ordinary shares at the beginning of the year	15,000,466	7,800,466
Effect of shares issued during the year	5,283,334	986,301
Effect of shares repurchased during the year	(257,601)	-
Weighted average number of ordinary shares for the year ended 31 December	**20,026,199**	**8,786,767**

25 Analysis by segment

The Bank has one reportable segment.

The majority of revenues from external customers relate to residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan.

Information about major customers

For the year ended 31 December 2016 and 31 December 2015, the Bank has no customers whose revenues individually exceed 10% of total revenue.

26 Risk management

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

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee ("ALCO"). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

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

Overall authority for market risk is vested in the ALCO, which is chaired by the Chairman of the Management Board. Market risk limits are approved by ALCO based on recommendations of the Risk Department

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

26 Risk management, continued

(b) Market risk, continued

(i) *Interest rate risk, continued*

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial assets and liabilities is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2016							
ASSETS							
Cash and cash equivalents	130,266,542	-	-	-	-	8,814,110	139,080,652
Available-for-sale financial assets	243,821	1,345,438	-	1,118,235	-	167,250	2,874,744
Loans and advances to banks and other financial institutions	70,285	4,037,697	2,230,111	273,652	-	-	6,611,745
Loans to customers	44,223,556	19,568,670	31,802,046	69,739,613	16,334,765	-	181,668,650
	174,804,204	**24,951,805**	**34,032,157**	**71,131,500**	**16,334,765**	**8,981,360**	**330,235,791**
LIABILITIES							
Deposits and balances from banks and other financial institutions	2,895,609	10,129,982	2,521,764	10,593,827	4,958,748	-	31,099,930
Current accounts and deposits from customers	21,556,426	25,532,649	168,095,275	31,233,156	3,745,351	45,419,600	295,582,457
	24,452,035	**35,662,631**	**170,617,039**	**41,826,983**	**8,704,099**	**45,419,600**	**326,682,387**
	150,352,169	**(10,710,826)**	**(136,584,882)**	**29,304,517**	**7,630,666**	**(36,438,240)**	**3,553,404**
31 December 2015							
ASSETS							
Cash and cash equivalents	7,682,318	-	-	-	-	44,314,465	51,996,783
Financial instruments at fair value through profit or loss	-	-	-	-	-	295,920	295,920
Available-for-sale financial assets	2,473	16,717	191,587	453,765	-	93,000	757,542
Loans and advances to banks and other financial institutions	8,977,969	299,797	4,062,245	-	-	-	13,340,011
Loans to customers	44,430,346	20,095,884	24,664,739	34,577,810	8,056,194	-	131,824,973
	61,093,106	**20,412,398**	**28,918,571**	**35,031,575**	**8,056,194**	**44,703,385**	**198,215,229**
LIABILITIES							
Deposits and balances from banks and other financial institutions	22,347,281	13,128,603	2,850,000	5,152,333	2,366,667	-	45,844,884
Current accounts and deposits from customers	25,967,543	9,045,544	40,592,787	44,829,945	42,588	24,703,693	145,182,100
Subordinated bonds	-	23,411	-	-	6,999,253	-	7,022,664
	48,314,824	**22,197,558**	**43,442,787**	**49,982,278**	**9,408,508**	**24,703,693**	**198,049,648**
	12,778,282	**(1,785,160)**	**(14,524,216)**	**(14,950,703)**	**(1,352,314)**	**19,999,692**	**165,581**

26 Risk management, continued

(b) Market risk, continued

(ii) Average interest rates

The table below displays average interest rates for interest bearing assets and liabilities as at 31 December 2016 and 2015. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2016 Average interest rate, %		2015 Average interest rate, %	
	KZT	USD	KZT	USD
Interest bearing assets				
Cash and cash equivalents	11.38	0.42	-	6.28
Available-for-sale financial assets	9.32	7.25	5.43	-
Loans and advances to banks and other financial institutions				
- Loans	12.00	-	13.40	-
- Term deposits	19.0	4.00	8.88	5.00
- Reverse repurchase agreements	-	-	9.00	-
Loans to customers	15.87	12.57	14.14	10.79
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
- Loans	8.82	-	8.86	-
- Term deposits	3.31	2.69	8.71	3.83
Current accounts and deposits from customers				
- Term deposits	11.37	4.23	11.46	3.42
Subordinated bonds	-	-	14.00	-

(iii) Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2016 and 2015 is as follows:

	2016 KZT'000	2015 KZT'000
100 bp parallel fall	(725,965)	51,474
100 bp parallel rise	725,965	(51,474)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2016 and 2015 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2016		2015	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	-	24,951	-	14,220
100 bp parallel rise	-	(24,445)	-	(13,757)

26 Risk management, continued

(b) Market risk, continued

(iv) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank does not hedge its exposure to currency risk.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2016:

	USD KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	103,070,299	776,644	174,512	104,021,455
Available for sale financial assets	1,254,309	-	-	1,254,309
Loans and advances to banks and other financial institutions	4,037,697	-	-	4,037,697
Loans to customers	53,472,067	661,439	1,008,138	55,141,644
Other financial assets	462,834	3,611	-	466,445
Total assets	**162,297,206**	**1,441,694**	**1,182,650**	**164,921,550**
LIABILITIES				
Deposits and balances from banks and other financial institutions	1,341,612	-	977,400	2,319,012
Current accounts and deposits from customers	160,404,281	1,775,062	187,877	162,367,220
Other financial liabilities	16,229	26,502	-	42,731
Total liabilities	**161,762,122**	**1,801,564**	**1,165,277**	**164,728,963**
Net position	**535,084**	**(359,870)**	**17,373**	**192,587**

26 Risk management, continued

(b) Market risk, continued

(iv) Currency risk, continued

The following table shows the currency structure of financial assets and liabilities as at 31 December 2015:

	USD KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS				
Cash and cash equivalents	36,608,638	1,372,009	132,203	38,112,850
Loans and advances to banks and other financial institutions	4,966,791	-	-	4,966,791
Loans to customers	42,503,436	-	-	42,503,436
Other financial assets	12,008	-	-	12,008
Total assets	**84,090,873**	**1,372,009**	**132,203**	**85,595,085**
LIABILITIES				
Deposits and balances from banks and other financial institutions	10,198,742	-	-	10,198,742
Current accounts and deposits from customers	78,896,394	1,467,141	109,667	80,473,202
Other financial liabilities	27,891	-	-	27,891
Total liabilities	**89,123,027**	**1,467,141**	**109,667**	**90,699,835**
Net position	**(5,032,154)**	**(95,132)**	**22,536**	**(5,104,750)**
The effect of derivatives	**6,110,460**	**-**	**-**	**6,110,460**
Net position after derivatives	**1,078,306**	**(95,132)**	**22,536**	**1,005,710**

An analysis of sensitivity of profit or loss for the year and equity to changes in foreign currency exchange rates based on positions existing as at 31 December 2016 and 2015 and a simplified scenario of a 10% change in USD and Euro to Kazakhstan Tenge exchange rates is as follows.

	2016 KZT'000	2015 KZT'000
20% appreciation of USD against KZT	85,613	172,529
5% depreciation of USD against KZT	(21,403)	(43,132)
20% appreciation of EUR against KZT	(57,579)	(15,221)
5% depreciation of EUR against KZT	14,395	3,805

(v) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Bank takes a long or short position in a financial instrument.

The Company's equity is affected by changes in the fair value of its equity investments included in available-for-sale financial assets. For example a 10% increase in the equity prices of the investments, would increase equity by KZT 16,725 thousand for the year ended 31 December 2016 (31 December 2015: KZT 9,300 thousand). A 10% decrease in these prices would have an equal and opposite effect.

26 Risk management, continued

(c) Credit risk

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

The credit policy establishes:

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

Corporate loan credit applications are originated by the relevant client managers, and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis Expert reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Security Department, Legal Department, Direction of Collateral Expertise and Monitoring and the Risk Department which present their opinions and a second opinion is given accompanied by a verification that applicable law and internal regulatory documents credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Security Department, Loan Legal Department and the Risk Department. Having reviewed the application, the Credit Committee decides on approval or rejection of a loan. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

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

26 Risk management, continued

(c) Credit risk, continued

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2016 KZT'000	2015 KZT'000
ASSETS		
Cash equivalents	134,660,548	49,818,100
Financial instruments at fair value through profit or loss	-	295,920
Available-for-sale financial assets	2,707,494	664,542
Loans and advances to banks and other financial institutions	6,611,745	13,340,011
Loans to customers	181,668,650	131,824,973
Other financial assets	8,750,335	18,050,229
Total maximum exposure	**334,398,772**	**213,993,775**

Collateral generally is not held against claims under loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 16.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 26.

As at 31 December 2016 the Bank has one counterparty (2015: one counterparty), the NBRK, credit risk exposure to whom exceeds 10% of maximum credit risk exposure. The credit risk exposure for this counterparty as at 31 December 2016 is KZT 123,486,677 thousand (2015: KZT 39,575,056 thousand).

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The Bank receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- sale and repurchase, and reverse sale and repurchase agreements and
- loans to customers, securities lending and borrowing.

The securities received/given as collateral under sale and repurchase, and reverse sale and repurchase agreements can be pledged during the term of the transaction but must be returned on maturity of the transaction. The securities given as collateral under securities lending and borrowing cannot be pledged or sold during the term of the transaction and must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral.

26 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The table below shows financial assets subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2016:

Types of financial assets/liabilities	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral received	Net Amount
Reverse repurchase agreements	4,695,032	-	4,695,032	(4,695,032)	-	-
Loans to customers	181,668,650	-	181,668,650	-	(26,165,197)	155,503,453
Total financial assets	**186,363,682**	**-**	**186,363,682**	**(4,695,032)**	**(26,165,197)**	**155,503,453**
Current accounts and deposits from customers	(26,165,197)	-	(26,165,197)	-	26,165,197	-
Total financial liabilities	**(26,165,197)**	**-**	**(26,165,197)**	**-**	**26,165,197**	**-**

The table below shows financial assets subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2015:

Types of financial assets/liabilities	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral received	Net Amount
Reverse repurchase agreements	4,002,000	-	4,002,000	(4,002,000)	-	-
Loans to customers	131,824,973		131,824,973	-	(2,888,927)	128,936,046
Total financial assets	**135,826,973**	**-**	**135,826,973**	**(4,002,000)**	**(2,888,927)**	**128,936,046**
Current accounts and deposits from customers	(2,888,927)	-	(2,888,927)	-	2,888,927	-
Total financial liabilities	**(2,888,927)**	**-**	**(2,888,927)**	**-**	**2,888,927**	**-**

The gross amounts of financial assets and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position at amortised cost.

26 Risk management, continued

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Treasury Department.

26 Risk management, continued

(d) Liquidity risk, continued

The tables below show the undiscounted cash flows of non-derivative financial liabilities, including issued unrecognised loan commitments on the basis of their earliest possible contractual maturity.

The maturity analysis for financial liabilities as at 31 December 2016 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	2,542,880	413,730	10,804,841	3,322,194	19,302,905	36,386,550	31,099,930
Current accounts and deposits from customers	58,547,912	8,718,462	26,304,134	178,126,904	42,403,241	314,100,653	295,582,457
Other financial liabilities	577,062	20,119	51,545	245,616	1,090,354	1,984,698	1,984,698
Total liabilities	**61,667,854**	**9,152,311**	**37,160,520**	**181,694,714**	**62,796,500**	**352,471,899**	**328,667,083**
Credit related commitments	**1,948,921**	-	-	-	-	**1,948,921**	**1,948,921**

26 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2015 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	7,669,932	14,886,232	13,745,157	3,241,339	9,676,545	49,219,205	45,844,884
Current accounts and deposits from customers	30,078,610	20,686,695	9,416,393	42,902,939	46,519,152	149,603,789	145,182,100
Subordinated bonds	-	-	235,318	228,039	8,540,313	9,003,670	7,022,664
Other financial liabilities	1,277,705	-	6,600	-	-	1,284,305	1,284,305
Total liabilities	**39,026,247**	**35,572,927**	**23,403,468**	**46,372,317**	**64,736,010**	**209,110,969**	**199,333,953**
Credit related commitments	**5,059,805**	-	-	-	-	**5,059,805**	**5,059,805**

26 Risk management, continued

(d) Liquidity risk, continued

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. In addition, during 2016 some corporate customer current account agreements at the amount of KZT 97,151,234 thousand were amended and maturity dates were added (in 2015: KZT 24,678,957 thousand). These deposits and customer accounts are classified in accordance with their stated maturity dates. The amount of such deposits and customer accounts, by each time band, is as follows:

	2016 KZT'000	2015 KZT'000
Demand and less than 1 month	58,372,821	7,787,426
From 1 to 3 months	7,969,550	19,621,054
From 3 to 12 months	176,367,509	51,178,549
From 1 to 5 years	29,013,398	44,777,121
More than 5 years	3,730,205	42,588
	275,453,483	**123,406,738**

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. In the tables below the following financial assets and liabilities are presented on a discounted basis and are based on their expected cash flows.

As explained in note 20 included in corporate current accounts and demand deposits is an amount of KZT 85,855,496 thousand which is repayable on demand to a single counterparty. Although based on their discussions with the counterparty, management expect that this deposit will not be withdrawn, this represents a significant concentration of liquidity risk. In the event of withdrawal, the Bank estimates that it would be able to remain compliant with externally imposed liquidity ratios, however, such a withdrawal, if combined with the loss of other corporate deposit accounts, could potentially result in a breach of these ratios. In case such a risk arises, the Bank's majority shareholder has indicated to management that he will provide additional funding in advance in order to provide certain assistance to the Bank and minimize the risk of a breach of liquidity ratios. Furthermore, the Bank has secured a number of committed and uncommitted credit lines from other banks and financial institutions, in the total amount in excess of 20 000 000 thousand KZT, which can be utilized by the Bank in case of substantial liquidity risks.

26 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2016:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	139,080,652	-	-	-	-	-	-	139,080,652
Available-for-sale financial assets	44,605	199,216	1,345,438	1,118,235	-	167,250	-	2,874,744
Loans and advances to banks and other financial institutions	-	70,285	6,267,808	273,652	-	-	-	6,611,745
Loans to customers	19,260,585	13,121,640	51,321,687	69,758,075	16,504,803	-	11,701,860	181,668,650
Property, equipment and intangible assets	-	-	-	-	-	4,347,900	-	4,347,900
Other assets	1,720,562	5,979,354	18,716,920	-	-	-	4,110	26,420,946
Total assets	**160,106,404**	**19,370,495**	**77,651,853**	**71,149,962**	**16,504,803**	**4,515,150**	**11,705,970**	**361,004,637**
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	2,542,880	352,729	12,651,746	10,593,827	4,958,748	-	-	31,099,930
Current accounts and deposits from customers	58,372,821	8,603,205	193,627,924	31,233,156	3,745,351	-	-	295,582,457
Deferred tax liability	-	-	-	121,743	-	-	-	121,743
Other liabilities	553,417	421,075	409,338	817,923	272,431	-	318	2,474,502
Total liabilities	**61,469,118**	**9,377,009**	**206,689,008**	**42,766,649**	**8,976,530**	**-**	**318**	**329,278,632**
Net position	**98,637,286**	**9,993,486**	**(129,037,155)**	**28,383,313**	**7,528,273**	**4,515,150**	**11,705,652**	**31,726,005**

26 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2015:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	49,273,530	2,723,253	-	-	-	-	-	51,996,783
Available-for-sale financial assets	-	2,473	208,304	453,765	-	93,000	-	757,542
Loans and advances to banks and other financial institutions	47,824	8,930,145	4,362,042	-	-	-	-	13,340,011
Loans to customers	17,299,924	25,226,581	44,760,623	34,577,810	8,056,194	-	1,903,841	131,824,973
Property, equipment and intangible assets	-	-	-	-	-	2,276,113	-	2,276,113
Other assets	7,224,692	30,000	8,673,653	5,498,104	-	1,752,678	-	23,179,127
Derivative assets								
Financial instruments at fair value through profit or loss								
- outflow	-	-	(5,814,540)	-	-	-	-	(5,814,540)
- inflow	-	-	6,110,460	-	-	-	-	6,110,460
Total assets	**73,845,970**	**36,912,452**	**58,300,542**	**40,529,679**	**8,056,194**	**4,121,791**	**1,903,841**	**223,670,469**
Non-derivative liabilities								
Deposits and balances from banks and other financial institutions	7,657,632	14,689,649	15,978,603	5,152,333	2,366,667	-	-	45,844,884
Current accounts and deposits from customers	30,053,967	20,617,269	49,638,331	44,829,945	42,588	-	-	145,182,100
Subordinated bonds	-	-	23,411	-	6,999,253	-	-	7,022,664
Current tax liability	-	-	74,366	-	-	-	-	74,366
Deferred tax liability	-	-	-	39,537	-	-	-	39,537
Other liabilities	1,338,472	181,973	497,279	-	-	-	-	2,017,724
Total liabilities	**39,050,071**	**35,488,891**	**66,211,990**	**50,021,815**	**9,408,508**	**-**	**-**	**200,181,275**
Net position	**34,795,899**	**1,423,561**	**(7,911,448)**	**(9,492,136)**	**(1,352,314)**	**4,121,791**	**1,903,841**	**23,489,194**

27 Capital management

The NBRK sets and monitors capital requirements for the Bank.

During 2015 the NBRK fulfilled transition on international regulatory framework for banks Basel III. Hence new capital requirements for the Bank were set from 1 January 2015. Since then, the Bank defines as capital those items defined by statutory regulation as capital for credit institutions.

As at 31 December 2016, tier 1 capital is a total of basic and additional capital. Basic capital comprises ordinary share capital, share premium, current and prior periods' retained earnings and reserves created thereof, less treasury share capital, intangible assets including goodwill, and current and prior periods losses, deferred tax asset net of deferred tax liability and other revaluation reserves. Additional capital comprises of perpetual contracts and paid-in preference share capital less adjustments for the Bank's investment in its own perpetual financial instruments and treasury preference shares.

Tier 2 capital comprises subordinated debt in KZT less investments in subordinated debt of financial institutions the Bank holds 10% and more shares in.

Total capital is the sum of tier 1 and tier 2 capital.

There are a set of different limitations and classification criteria applied to the above listed total capital elements.

In accordance with the regulations set by the NBRK as at 31 December 2016 the Bank has to maintain total capital adequacy within the following coefficients:

- a ratio of basic capital to the sum of credit risk-weighted assets, contingent liabilities and derivative financial instruments and market risk-weighted assets and contingent liabilities and quantified operational risk (k1)
- a ratio of tier 1 capital to the sum of credit risk-weighted assets, contingent liabilities and derivative financial instruments and market risk-weighted assets and contingent liabilities and quantified operational risk (k1-2)
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities and derivative financial instruments, market risk-weighted assets, contingent assets and liabilities, and a quantitative measure of operational risk (k2).

As at 31 December 2016 the minimum level of ratios as applicable to the Bank are as follows:

- k1 – not less than 0.05
- k1-2 – not less than 0.06
- k2 – not less than 0.075.

As at 31 December 2015 the minimum level of ratios as applicable to the Bank are as follows:

- k1 – not less than 0.05
- k1-2 – not less than 0.06
- k2 – not less than 0.075.

27 Capital management, continued

The following table shows the composition of the capital position calculated in accordance with the FMSA requirements established by the Rules # 358 dated 30 September 2005 as at 31 December 2016 and 31 December 2015:

	2016 KZT'000 (Unaudited)	2015 KZT'000 (Unaudited)
Tier 1 capital		
Basic capital		
Share capital	28,027,337	20,785,466
Statutory additional paid-in capital	(14,083)	(14,083)
General reserve	957,976	957,976
Deferred tax liability related to revaluation of property and equipment	-	75,365
Statutory retained earnings – prior year	1,456,742	(38,133)
Statutory retained earnings – current year	865,015	1,494,875
Revaluation reserve for available-for-sale financial assets	99,999	(29,926)
Revaluation reserve for property and equipment	294,177	297,191
Statutory adjustments:		
Statutory intangible assets	(1,154,451)	(335,431)
Total tier 1 capital	**30,532,712**	**23,193,300**
Tier 2 capital		
Subordinated debt	-	6,999,253
Total tier 2 capital	**-**	**6,999,253**
Total capital	**30,532,712**	**30,192,553**
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk		
Credit risk-weighted assets	246,158,926	181,135,957
Credit risk-weighted contingent liabilities	36,779,066	32,053,390
Credit risk-weighted derivative financial instruments	-	55,391
Market risk-weighted assets and contingent liabilities	1,135,807	1,637,709
Operational risk	3,322,422	2,362,080
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk	**287,396,221**	**217,244,527**
k1	**0.106**	**0.107**
k1-2	**0.106**	**0.107**
k2	**0.106**	**0.139**

The Bank is also subject to minimum capital adequacy requirements calculated in accordance with NBRK established by covenants under borrowings of the Bank. The Bank doesn't complied with all externally imposed capital requirements as at 31 December 2016 and 31 December 2015.

One of these requirements – coefficient k3 "Maximum exposure to non-related borrower" was breached as at 31 December 2016. As at financial statements sign off date the k3 coefficient would be complied with, due to the increase in the regulatory capital of the Bank.

28 Credit related commitments

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for up to five years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2016 KZT'000	2015 KZT'000
Contracted amount		
Loan and credit line commitments	1,948,921	5,059,805
Guarantees	35,947,325	29,305,722
	37,896,246	**34,365,527**

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

Guarantees and letters of credit are collateralised by real estate, cash deposits, grain, guarantees of individuals and other collateral.

As at 31 December 2016 the Bank had five counterparties (31 December 2015: three), whose guarantee or loan commitments exceeded 10% of total equity. The gross value of these commitments as at 31 December 2016 is KZT 21,332,559 thousand (2015: KZT 13,335,525 thousand).

The Bank uses the same credit control and management policies in undertaking unrecognised commitments as it does for recognised operations.

29 Operating leases

As at 31 December 2016 and 2015 the Bank did not have significant non-cancellable operating lease rentals payable.

During the year of 2016 KZT 821,977 thousand was recognised as an expense in profit or loss in respect of operating leases (2015: KZT 415,419 thousand).

30 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

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

(c) Taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

31 Related party transactions

(a) Control relationships

As at 31 December 2016 the Bank is controlled by Mr. Tokhtarov O.T. (2015: by Mr. Tokhtarov O.T.), who solely owns 61.07% of shares of the Bank (see Note 1) (2015: solely owned 68.74% of shares of the Bank).

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

Total remuneration included in personnel expenses for the years ended 31 December 2016 and 2015 is as follows:

	2016 KZT'000	2015 KZT'000
Short term employee benefits	148,926	148,716
Post employment benefits	-	1,010
	148,926	**149,726**

The above amounts include cash and non-cash benefits in respect of the members of the Management Board and Board of Directors.

31 Related party transactions, continued

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

The outstanding balances and average interest rates as at 31 December 2016 and 2015 for transactions with the members of the Management Board and the Board of Directors are as follows:

	2016 KZT'000	Average interest rate	2015 KZT'000	Average interest rate
Statement of financial position				
Loans to customers	48,212	14.2%	-	-
Current accounts and deposits from customers	538,166	9.8%	1,240,754	5.4%

Amounts included in profit or loss in relation to transactions with the members of the Management Board and the Board of Directors for the year ended 31 December are as follows:

	2016 KZT'000	2015 KZT'000
Profit or loss		
Interest income	6,873	-
Interest expense	10,366	19,923

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2016 and related profit or loss amounts of transactions for the year ended 31 December 2016 with other related parties are as follows.

	Shareholders		Other entities under control of shareholders		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Statement of financial position					
LIABILITIES					
Current accounts and deposits from customers					
- Term deposits					
- in KZT	353,322	14.0%	-	-	353,322
- in USD	400	2.0%	-	-	400
- in EUR	24	1.5%	-	-	24
- Current accounts and demand deposits					
- in KZT	14,647	-	3,188	-	17,835
- in USD	154	-	-	-	154
- in EUR	218	-	-	-	218
- in GBP	1,001	-	-	-	1,001
- in RUR	1	-	-	-	1
Profit or loss					
Interest expense	(47,103)	-	-	-	(47,103)

31 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 31 December 2015 and related profit or loss amounts of transactions for the year ended 31 December 2015 with other related parties are as follows.

	Shareholders		Other entities under control of shareholders		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Statement of financial position					
LIABILITIES					
Current accounts and deposits from customers					
- Term deposits					
- in KZT	5,008	10.0%	1,272,500	13.0%	1,277,508
- in USD	935,262	4.0%	259,061	5.0%	1,194,323
- in EUR	4	3.0%	-	-	4
- Current accounts and demand deposits					
- in KZT	1		4,221	2.5%	4,222
- in USD	8,069		46	-	8,115
- in EUR	1,515		-	-	1,515
Profit or loss					
Interest expense	(14,309)		(18,038)	-	(32,347)

32 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and liabilities as at 31 December 2016:

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	139,080,652	-	-	139,080,652	139,080,652
Available-for-sale financial assets	-	2,874,744	-	2,874,744	2,874,744
Loans and advances to banks and other financial institutions	6,611,745	-	-	6,611,745	6,611,745
Loans customers					
Loans to corporate customers	137,989,528	-	-	137,989,528	129,208,586
Loans to retail customers	43,679,122	-	-	43,679,122	40,806,829
Other financial assets	8,750,335	-	-	8,750,335	8,750,335
	336,111,382	2,874,744	-	**338,986,126**	**327,332,891**
Deposits and balances from banks and other financial institutions	-	-	31,099,930	31,099,930	31,066,847
Current accounts and deposits from customers	-	-	295,582,457	295,582,457	291,982,498
Other financial liabilities	-	-	1,984,696	1,984,696	1,984,696
	-	-	**328,667,083**	**328,667,083**	**325,034,041**

32 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and liabilities as at 31 December 2015:

KZT'000	Derivative financial instrument	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	51,996,783	-	-	51,996,783	51,996,783
Financial instruments at fair value through profit or loss	295,920		-	-	295,920	295,920
Available-for-sale financial assets	-		757,542	-	757,542	757,542
Loans and advances to banks and other financial institutions	-	13,340,011	-	-	13,340,011	13,340,011
Loans customers	-		-	-		
Loans to corporate customers	-	101,034,554	-	-	101,034,554	99,998,588
Loans to retail customers	-	30,790,419	-	-	30,790,419	31,623,931
Other financial assets	-	18,050,229	-	-	18,050,229	18,050,229
	295,920	**215,211,996**	**757,542**	**-**	**216,265,458**	**216,063,004**
Deposits and balances from banks and other financial institutions	-	-	-	45,844,884	45,844,884	44,061,994
Current accounts and deposits from customers	-	-	-	145,182,100	145,182,100	145,814,378
Subordinated bonds				7,022,664	7,022,664	7,022,664
Other financial liabilities	-	-	-	1,284,305	1,284,305	1,284,305
	-	**-**	**-**	**199,333,953**	**199,333,953**	**198,183,341**

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

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

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair values of financial instruments. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

32 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy

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

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 December 2016 and 2015 the Bank measured the fair value of available-for-sale assets and financial instruments at fair value through profit or loss using valuation technique based on observable inputs (Level 2).

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2016:

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash and cash equivalents	-	139,080,652	-	139,080,652	139,080,652
Loans and advances to banks and other financial institutions	-	6,611,745	-	6,611,745	6,611,745
Loans to customers	-	170,015,415	-	170,015,415	181,668,650
Other financial assets	-	8,750,335	-	8,750,335	8,750,335
	-	**324,458,147**	**-**	**324,458,147**	**336,111,382**
Deposits and balances from banks and other financial institutions	-	31,066,847	-	31,066,847	31,099,930
Current accounts and deposits from customers	-	291,982,498	-	291,982,498	295,582,457
Other financial liabilities	-	1,984,696	-	1,984,696	1,984,696
	-	**325,034,041**	**-**	**325,034,041**	**328,667,083**

32 Financial assets and liabilities: fair values and accounting classifications, continued

(d) Fair value hierarchy, continued

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2015:

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Cash and cash equivalents	-	51,996,783	-	51,996,783	51,996,783
Loans and advances to banks and other financial institutions	-	13,340,011	-	13,340,011	13,340,011
Loans to customers	-	107,539,086	24,083,433	131,622,519	131,824,973
Other financial assets	-	18,050,229	-	18,050,229	18,050,229
	-	**190,926,109**	**24,083,433**	**215,009,542**	**215,211,996**
Deposits and balances from banks and other financial institutions	-	44,061,994	-	44,061,994	45,844,884
Current accounts and deposits from customers	-	145,814,378	-	145,814,378	145,182,100
Subordinated bonds	-	7,022,664	-	7,022,664	7,022,664
Other financial liabilities	-	1,284,305	-	1,284,305	1,284,305
	-	**198,183,341**	**-**	**198,183,341**	**199,333,953**

33 Events after the reporting period

In 2017 the Bank increased the number of authorised shares to 100,000,000 shares. On 7 June 2017, Mr. Tokhtarov O.T. purchased an additional 1,739,131 ordinary shares of the Bank, for consideration of KZT 2,000,001 thousand, which was settled in cash.

On 8 June 2017 the Bank signed an agreement with another investor (Mr. Ashkenov) for the sale of 6 956 522 ordinary shares of the Bank. This transaction is subject to the approval of the National Bank of the Republic of Kazakhstan, which will be applied for and which management of the Bank do not expect will be withheld. The cash consideration for this share purchase amounts to KZT 8,000,000 thousand, which is currently on deposit with the Bank. Management is satisfied that the Bank has no contractual obligation to return this cash, unless National Bank approval is received.

An Initial Public Offering procedure was announced as at 8 June 2017, and took place on 30 June 2017. The Bank attracted KZT 6,500,000 thousand through the sale of 5,600,000 of its ordinary shares on the Kazakhstan Stock Exchange.

On 28 April 2017 a credit line was agreed with Insurance company Eurasia, for a period of one year. The amount of this facility is KZT 14,000,000 thousand. Interest would be payable at the rate of 10% in the event the facility was utilised.

In May 2017 the Bank purchased building in Almaty for KZT 11,571,380 thousand. This building will be used as the Bank's office and also for rent.