Joint Stock Company Affiliated Bank Bank of China in Kazakhstan

Financial statements

For the year ended 31 December 2016
together with independent auditor's report

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Independent auditor's report

To the Shareholder and the Board of Directors of AB Bank of China in Kazakhstan JSC

Opinion

We have audited the accompanying financial statements of AB Bank of China in Kazakhstan JSC (Bank), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of AB Bank of China in Kazakhstan JSC 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's 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.

Management's responsibility for the financial statements

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

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.

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Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

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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.

Ernst & Young LLP

Bakhtiyor Eshonkulov
Auditor / Audit partner

Auditor qualification certificate
No. МФ-0000099 dated 27 August 27 2012

Gulmira Turmagambetova
General Director
Ernst & Young LLP

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

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050060, Almaty, Republic of Kazakhstan

6 March 2017

STATEMENT OF FINANCIAL POSITION

At 31 December 2016

(In thousands of tenge)

	Note	*2016*	*2015*
Assets			
Cash and accounts with the National Bank of the Republic of Kazakhstan	5	**186,557,225**	108,341,155
Amounts due from other banks	6	**5,188,189**	6,647,143
Loans to customers	7	**12,521,132**	17,958,797
Held-to-maturity investment securities	9	**1,145,426**	1,180,120
Property and equipment	8	**2,494,358**	2,580,410
Intangible assets		**8,712**	12,131
Current corporate income tax prepaid	10	**159,986**	–
Deferred corporate income tax assets	10	**8,981**	–
Other assets	11	**26,552**	67,996
Total assets		**208,110,561**	136,787,752
Liabilities			
Amounts due to other banks	12	**1,676,858**	8,228,832
Amounts due to customers	13	**177,843,389**	104,870,607
Current corporate income tax payable	10	**–**	120,000
Deferred corporate income tax liabilities	10	**–**	2,218
Other liabilities	14	**1,186,625**	66,166
Total liabilities		**180,706,872**	113,287,823
Equity			
Share capital	15	**5,485,008**	5,485,008
Additional paid in capital		**89,144**	89,144
Retained earnings		**17,996,187**	14,092,427
Statutory reserve		**3,833,350**	3,833,350
Total equity		**27,403,689**	23,499,929
Total liabilities and equity		**208,110,561**	136,787,752

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

Jia Tianfei — Deputy General Manager in terms of clearing operations and promoting the settlement in yuan

Ussenova Z.S. — Chief accountant

6 March 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

(In thousands of tenge)

	Note	*2016*	*2015*
Interest income			
Cash and accounts with the National Bank of the Republic of Kazakhstan		**2,138,243**	835,620
Loans to customers		**1,410,578**	1,264,241
Held-to-maturity investment securities		**68,105**	50,530
Amounts due from other banks		**60,044**	26,585
		3,676,970	2,176,976
Interest expenses			
Amounts due to customers		**(82,717)**	(72,036)
		(82,717)	(72,036)
Net interest income before allowance for loan impairment		**3,594,253**	2,104,940
Allowance for loan impairment	7	**(52,994)**	(24,990)
Net interest income		**3,541,259**	2,079,950
Net commission income	17	**1,706,888**	2,015,650
Net gains from transactions in foreign currencies			
- dealing		**560,822**	693,493
- translation differences		**79,014**	2,152,529
Other income	18	**72,707**	1,048
Non-interest income		**2,419,431**	4,862,720
Personnel expenses	19	**(469,817)**	(472,859)
Other administrative expenses	19	**(437,327)**	(364,548)
Depreciation and amortisation		**(103,388)**	(103,463)
Taxes other than corporate income tax		**(37,893)**	(71,191)
Provision for contingent liabilities		**(11,224)**	(1,776)
Non-interest expense		**(1,059,649)**	(1,013,837)
Profit before corporate income tax expense		**4,901,041**	5,928,833
Corporate income tax expenses	10	**(997,281)**	(1,204,728)
Profit for the year		**3,903,760**	4,724,105
Other comprehensive income		**–**	–
Total comprehensive income for the year		**3,903,760**	4,724,105
Basic earnings per share (tenge)		**758,012**	917,302

The accompanying notes on pages 5 to 37 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

(In thousands of tenge)

	Note	*Share capital*	*Additional paid-in capital*	*Retained earnings*	*Statutory reserve*	*Total equity*
At 31 December 2014		5,485,008	89,144	9,368,322	3,833,350	18,775,824
Profit for the year		–	–	4,724,105	–	4,724,105
Other comprehensive income for the year		–	–	–	–	–
Total comprehensive income for the year		–	–	4,724,105	–	4,724,105
At 31 December 2015		5,485,008	89,144	14,092,427	3,833,350	23,499,929
Profit for the year		–	–	**3,903,760**	–	**3,903,760**
Other comprehensive income for the year		–	–	–	–	–
Total comprehensive income for the year		–	–	**3,903,760**	–	**3,903,760**
At 31 December 2016		**5,485,008**	**89,144**	**17,996,187**	**3,833,350**	**27,403,689**

The accompanying notes on pages 5 to 37 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

(In thousands of tenge)

	Note	*2016*	*2015*
Cash flows from operating activities			
Interest received		**3,700,495**	2,064,259
Interest paid		**(88,144)**	(58,305)
Fees and commissions received		**2,721,143**	2,106,420
Fees and commissions paid		**(27,936)**	(24,230)
Net foreign currency exchange gain		**560,822**	693,493
Other income received		**47,685**	1,048
Personnel expenses paid		**(441,833)**	(474,695)
Other administrative expenses paid		**(341,335)**	(322,897)
Taxes, other than corporate income tax, paid		**3,796**	(56,072)
Cash flows from operating activities before changes in operating assets and liabilities		**6,134,693**	3,929,021
Net (increase)/decrease in operating assets			
Amounts due from other banks		**4,384**	4,029,046
Loans to customers		**5,322,656**	(5,170,543)
Other assets		**2,114**	2,428
Net increase/(decrease) in operating liabilities			
Amounts due to other banks		**(6,423,725)**	6,625,153
Amounts due to customers		**71,181,924**	(56,098,197)
Other liabilities		**71**	(146,212)
Net cash flows received from / (used in) operating activities before corporate income tax		**76,222,117**	(46,829,304)
Corporate income tax paid		**(1,288,466)**	(1,099,323)
Net cash flows received from / (used in) operating activities		**74,933,651**	(47,928,627)
Cash flows from investing activities			
Purchase of property and equipment		**(11,341)**	(14,204)
Purchase of intangible assets		**(3,080)**	(1,267)
Redemption of held-to-maturity investment securities		**1,150,000**	–
Acquisition of held-to-maturity investment securities		**(1,116,201)**	–
Net cash flows received from / (used in) investing activities		**19,378**	(15,471)
Effect of exchange rates changes on cash and cash equivalents		**1,804,087**	49,195,244
Net increase in cash and cash equivalents		**76,757,116**	1,251,146
Cash and cash equivalents, beginning		**114,988,298**	113,737,152
Cash and cash equivalents, ending	5	**191,745,414**	114,988,298

The accompanying notes on pages 5 to 37 are an integral part of these financial statements.

(In thousands of tenge, unless otherwise is stated)

1. Principal activities

Affiliated Bank Bank of China in Kazakhstan JSC (the "Bank") was established on 19 April 1993 in accordance with laws of the Republic of Kazakhstan. The Bank provides banking services to its retail and corporate customers in the Republic of Kazakhstan. The sole shareholder of the Bank is the Bank of China Limited, Beijing (the "Parent"), which is incorporated and operates in the People's Republic of China. The ultimate shareholder of the Bank is the People's Republic of China (the "Shareholder"). The activities of the Bank are closely related to the Shareholder's requirements, and pricing of the Bank's services to the Shareholder is determined together with other banks of the Shareholder. Details of related parties transactions are disclosed in *Note 23*.

The Bank operates under a license for conducting banking and other activities No. 1.1.181 issued on 21 May 2013 by the Committee for Control and Supervision of Financial Market and Financial Organisations of the Republic of Kazakhstan under the National Bank of the Republic of Kazakhstan (hereinafter "NBRK").

The Bank accepts deposits from the public and extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its corporate and retail customers.

Registered address of the Bank's head office: 050063, Republic of Kazakhstan, Almaty, Auezov district, microdistrict Zhetysu-2, building No. 71-b. As at 31 December 2016 and 2015, the Bank's branch network comprises 2 branches located in Kazakhstan.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRS").

The financial statements have been prepared under the historical cost convention. The financial statements are presented in thousands of Kazakh tenge ("KZT" or "tenge"), unless otherwise indicated.

3. Summary of significant accounting policies

Changes in accounting policies

The Bank has adopted the following amended IFRS and interpretations which are effective for annual periods beginning on or after 1 January 2016:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Bank's financial statements.

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include, in particular:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

(In thousands of tenge, unless otherwise is stated)

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

Annual improvements 2012-2014 cycle (continued)

IFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Fair value measurement

The Bank measures financial instruments, such as trading and available-for-sale securities, derivatives and non-financial assets such as investment property, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in *Note 21*.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Bank determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

(In thousands of tenge, unless otherwise is stated)

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Bank has the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the investments are impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Cash and accounts with the National Bank of the Republic of Kazakhstan

Cash and accounts with the National Bank of the Republic of Kazakhstan (hereinafter – the "NBRK") consist of cash on hand, amounts due from NBRK that mature within 90 (ninety) days since the date of origination which are free from contractual obligations.

Cash and cash equivalents shown in the statement of cash flows, consist of cash on hand, accounts in the NBRK and accounts due from other banks that mature within 90 (ninety) days since the date of origination which are free from contractual obligations.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results if the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions, amounts due to customers and debt securities issued. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the borrowings are derecognised, as well as through the amortisation process.

Leases

Operating – Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other administrative expenses.

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Bank determines that the fair value at initial recognition differs from the transaction price, then:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Bank recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- In all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Bank recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognised.

(In thousands of tenge, unless otherwise is stated)

3. Summary of significant accounting policies (continued)

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is 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 to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from other banks and loans to customers

For amounts due from other banks and loans to customers carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets 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 an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' current amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(In thousands of tenge, unless otherwise is stated)

3. Summary of significant accounting policies (continued)

Held-to-maturity financial investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the statement of profit or loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognised in the financial statements at fair value, in "Other liabilities" line, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of: the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

The premium received is recognised in profit or loss on a straight-line basis over the life of the guarantee.

Taxation

The current corporate income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(In thousands of tenge, unless otherwise is stated)

3. Summary of significant accounting policies (continued)

Taxation (continued)

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred corporate tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Republic of Kazakhstan also has various operating taxes that are assessed on the Bank's activities. These taxes are included in the statement of comprehensive income as taxes other than income tax.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying amount of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	50
Computer hardware	4-5
Vehicles	5
Other	4-7

Land is an asset with indefinite useful life and is not subject to depreciation.

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other administrative expenses, unless they qualify for capitalisation.

Intangible assets

Intangible assets include computer software and licences. Intangible assets are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic lives of 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments, such expense is charged in the period the related salaries are earned. The Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

Share capital

Common shares are shown within equity. Share capital is measured at the fair value of consideration received. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

3. Summary of significant accounting policies (continued)

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised when it is probable that the economic benefits will flow to the Bank and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over the period. These fees include commission income for the issuance of guarantees and letters of credit, as well as commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loans.

Fee income from providing transaction services

Fee income arising from transfer transactions, transactions with cash and other services is recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Foreign currency translation

The financial statements are presented in Kazakhstani tenge, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange at the official exchange rate at the date of the transaction established by the Kazakhstan Stock Exchange (the "KASE") and published by the NBRK. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of market exchange ruling at the reporting date.

Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement of profit or loss as gains less losses from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the official exchange rates at the date when the fair value was determined.

(In thousands of tenge, unless otherwise is stated)

3. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate established by KASE on the date of the transaction are included in net gains from dealing in foreign currencies. The KASE market exchange rates at 31 December 2016 and 2015 were 333.29 KZT and 340.01 KZT to 1 USD, respectively.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. The Bank intends to adopt these standards, if applicable , when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost categories. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement. The accounting for financial liabilities will largely be the same as the requirements of IAS 39.

IFRS 9 will also fundamentally change the approach to loan impairment. The standard will replace IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not carried at FVPL, as well as for loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance would be based on the probability of default over the life of the asset.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not required; the effect on the transition date – 1 January 2018 – would be recorded in retained earnings. The Bank evaluates the impact of IFRS 9 on the financial statements of the Bank.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 *Leases*).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Bank does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

(In thousands of tenge, unless otherwise is stated)

3. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 16 Leases

The IASB issued the new standard for accounting for leases – IFRS 16 *Leases* in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date.

The Bank does not anticipate early adoption of IFRS 16 and is currently evaluating its impact.

Amendments to IAS 12 Income Taxes

In January 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The Bank does not anticipate that adopting the amendments would have a material impact on its financial statements.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows* with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Bank is currently evaluating the impact of the amendments.

Amendments to IFRS 2 Share-based Payment

The IASB issued amendments to IFRS 2 *Share-based Payment* in relation to the classification and measurement of share-based payment transactions. The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations;
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendment is effective for annual periods beginning on or after 1 January 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted. The amendments are not expected to have any impact on the Bank's financial statements.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until 1 January 2021 at the latest. The overlay approach requires an entity to remove from profit or loss additional volatility that may arise if IFRS 9 is applied with IFRS 4.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The amendments are not expected to have any impact on the Bank's financial statements.

(In thousands of tenge, unless otherwise is stated)

4. Significant accounting judgements and estimates

Estimation uncertainty

In the process of applying the Bank's accounting policies, management has made the following judgements apart from those involving estimates which have the most significant effect on the amount recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Allowance for loan impairment

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances. The amount of allowance for loan impairment recognized in the statement of financial position at 31 December 2016 was equal to KZT 51,938 thousand (2015: KZT 24,990 thousand). More details are provided in *Note 7.*

Taxation

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

Management believes that the Bank is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that respective authorities could take differing positions with regard to interpretive tax issues.

5. Cash and accounts with the National Bank of the Republic of Kazakhstan

As at 31 December, cash and accounts with the NBRK comprise the following:

	2016	*2015*
Cash on hand	**710,178**	1,263,901
Correspondent accounts with the NBRK	**168,829,019**	96,063,587
Term deposits with the NBRK with maturity of up to 90 days from origination date	**17,018,028**	11,013,667
Cash and accounts with the NBRK	**186,557,225**	108,341,155

Under Kazakhstan legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves should be held on the current account with the NBRK or physical cash computed based on average monthly balances of the aggregate of cash balances on current account with the NBRK or physical cash in national currency during the period of reserve creation.

As at 31 December 2016, obligatory reserves were equal to KZT 3,675,394 thousand (31 December 2015: KZT 2,492,738 thousand).

For presentation purpose in the statement of cash flows cash and cash equivalents comprise the following:

	2016	*2015*
Cash and accounts with the NBRK with maturity up to 90 days from the date of origination	**186,557,225**	108,341,155
Correspondent accounts and term deposits with other banks with maturity up to 90 days from the date of origination *(Note 6)*	**5,188,189**	6,647,143
	191,745,414	114,988,298

(In thousands of tenge, unless otherwise is stated)

6. Amounts due from other banks

As at 31 December, amounts due from other banks comprise the following:

	2016	*2015*
Correspondent accounts and term deposits with other banks with maturity up to 90 days from the date of origination		
United States of America	**3,927,342**	3,760,616
People's Republic of China	**1,233,373**	2,681,568
Great Britain	**12,556**	16,931
Russian Federation	**9,319**	3,556
Germany	**5,599**	184,472
Total amounts due from other banks	**5,188,189**	6,647,143

7. Loans to customers

As at 31 December, loans to customers comprise the following:

	31 December 2016		
	Neither past due nor impaired loans	*Overdue loans*	*Total*
Loans to corporate customers			
Loans to small and medium business	**7,319,162**	**289,984**	**7,609,146**
Loans to large business	**4,473,191**	**–**	**4,473,191**
	11,792,353	**289,984**	**12,082,337**
Loans to individuals			
Mortgage loans	**308,229**	**–**	**308,229**
Consumer loans	**182,504**	**–**	**182,504**
	490,733	**–**	**490,733**
Gross loans to customers before allowance for impairment of loans	**12,283,086**	**289,984**	**12,573,070**
Less: allowance for impairment of loans	**(6,767)**	**(45,171)**	**(51,938)**
Loans to customers	**12,276,319**	**244,813**	**12,521,132**

	31 December 2015		
	Neither past due nor impaired loans	*Overdue loans*	*Total*
Loans to corporate customers			
Loans to small and medium business	9,862,666	254,100	10,116,766
Loans to large business	7,229,291	–	7,229,291
	17,091,957	254,100	17,346,057
Loans to individuals			
Mortgage loans	370,247	–	370,247
Consumer loans	267,483	–	267,483
	637,730	–	637,730
Gross loans to customers before allowance for impairment of loans	17,729,687	254,100	17,983,787
Less: allowance for impairment of loans	–	(24,990)	(24,990)
Loans to customers	17,729,687	229,110	17,958,797

(In thousands of tenge, unless otherwise is stated)

7. Loans to customers (continued)

Movement in allowance for loan impairment by classes is as follows:

	Small and medium business lending	*Large business lending*	*Residential mortgages*	*Consumer lending*	*Total for 2016*
At 1 January 2016	**24,990**	**–**	**–**	**–**	**24,990**
Charge for the year	**52,994**	**–**	**–**	**–**	**52,994**
Write-off	**(25,961)**	**–**	**–**	**–**	**(25,961)**
Revaluation	**(85)**	**–**	**–**	**–**	**(85)**
At 31 December 2016	**51,938**	**–**	**–**	**–**	**51,938**
Individual impairment	**45,171**	**–**	**–**	**–**	**45,171**
Collective impairment	**6,767**	**–**	**–**	**–**	**6,767**
	51,938	**–**	**–**	**–**	**51,938**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**289,984**	**–**	**–**	**–**	**289,984**

	Small and medium business lending	*Large business lending*	*Residential mortgages*	*Consumer lending*	*Total for 2015*
At 1 January 2015	–	–	–	–	–
Charge for the year	24,990	–	–	–	24,990
At 31 December 2015	24,990	–	–	–	24,990
Individual impairment	24,990	–	–	–	24,990
Collective impairment	–	–	–	–	–
	24,990	–	–	–	24,990
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	254,100	–	–	–	254,100

As at 31 December 2015, loans assessed on a collective basis, were neither past due nor impaired due to one of the lenders loss event occurred for the first time in the history of the Bank in September 2015, which had no significant impact on the calculation of the allowance on collective basis.

Collateral and other credit enhancements

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate lending, charges over real estate properties, guarantees from third parties;
- For retail lending, mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment.

(In thousands of tenge, unless otherwise is stated)

7. Loans to customers (continued)

Collateral and other credit enhancements (continued)

The following table shows an analysis of loans to customers by type of collateral:

	2016	*2015*
Loans secured by real estate	**9,861,993**	7,482,994
Loans secured by guarantees from third parties	**1,007,500**	8,635,348
Unsecured loans	**1,651,639**	1,840,455
Total loans to customers	**12,521,132**	17,958,797

Guarantees from third parties are represented by guarantees received from companies under common control with the customers.

Recoverability of neither past due, nor impaired loans issued to corporate customers mainly depends on creditability of the borrower rather than on collateral, and the Bank does not always assess collateral as at the reporting date.

Concentration of loans to customers

As at 31 December 2016, the Bank had top ten borrowers which accounted for 84.7% of total aggregate loan portfolio net of allowance in the amount of KZT 5,609 thousand (31 December 2015: 84.0%). The total aggregate amount of these loans net of allowance was equal to KZT 10,609,215 thousand (at 31 December 2015: KZT 15,083,229 thousand).

Loans were mainly issued to the customers in Kazakhstan conducting their activities in the following economic sectors:

	2016	*2015*
Trade	**7,161,777**	7,963,908
Oil and gas trading	**2,268,389**	2,573,941
Financial services	**1,007,500**	1,007,500
Leases	**632,586**	691,210
Individuals	**490,733**	637,730
Manufacturing	**471,198**	541,928
Transport	**463,830**	492,647
Real estate construction	**25,119**	51,840
Communication	**–**	3,839,408
Oil and gas	**–**	158,685
Total loans to customers	**12,521,132**	17,958,797

(In thousands of tenge, unless otherwise is stated)

8. Property and equipment

Movement of property and equipment in 2016 and 2015 is presented as follows:

	Land	*Buildings*	*Computer equipment*	*Motor vehicles*	*Other*	*Total*
Initial cost						
31 December 2014	76,546	2,767,827	77,133	58,560	126,114	3,106,180
Additions	–	–	9,199	–	5,005	14,204
Disposals	–	–	(163)	–	(780)	(943)
31 December 2015	76,546	2,767,827	86,169	58,560	130,339	3,119,441
Additions	**–**	**–**	**5,535**	**–**	**5,806**	**11,341**
Disposals	**–**	**–**	**(463)**	**–**	**(1,625)**	**(2,088)**
31 December 2016	**76,546**	**2,767,827**	**91,241**	**58,560**	**134,520**	**3,128,694**
Accumulated depreciation						
31 December 2014	–	(317,546)	(30,088)	(44,787)	(47,849)	(440,270)
Charge for the year	–	(55,326)	(16,822)	(4,707)	(22,691)	(99,546)
Disposals	–	–	163	–	622	785
31 December 2015	–	(372,872)	(46,747)	(49,494)	(69,918)	(539,031)
Charge for the year	**–**	**(55,326)**	**(16,494)**	**(3,427)**	**(21,642)**	**(96,889)**
Disposals	**–**	**–**	**459**	**–**	**1,125**	**1,584**
31 December 2016	**–**	**(428,198)**	**(62,782)**	**(52,921)**	**(90,435)**	**(634,336)**
Net book value						
31 December 2014	76,546	2,450,281	47,045	13,773	78,265	2,665,910
31 December 2015	76,546	2,394,955	39,422	9,066	60,421	2,580,410
31 December 2016	**76,546**	**2,339,629**	**28,459**	**5,639**	**44,085**	**2,494,358**

As at 31 December 2016, initial cost of fully depreciated property and equipment still in use was equal to KZT 96,071 thousand (31 December 2015: KZT 53,142 thousand).

9. Held-to-maturity investment securities

As at 31 December 2016, investment securities held to maturity include notes of the National Bank of the Republic of Kazakhstan in the amount of KZT 1,145,426 thousand (as at 31 December 2015: bonds of the Ministry of finance of the Republic of Kazakhstan in the amount of KZT 1,180,120 thousand).

As at 31 December 2016, notes of the National Bank of the Republic of Kazakhstan were interest-free with maturity date on 13 January 2017. As at 31 December 2015, the nominal interest rate of bonds of the Ministry of Finance of the Republic of Kazakhstan was 6% per annum. The maturity date of these securities was 7 October 2016.

10. Taxation

Corporate income tax expenses comprise the following:

	2016	*2015*
Current corporate income tax expense	**1,008,480**	1,206,327
Deferred corporate income tax benefit – origination and decrease of temporary differences	**(11,199)**	(1,599)
Corporate income tax expenses	**997,281**	1,204,728

The Republic of Kazakhstan was only one tax jurisdiction in which the Bank's income is taxable. In accordance with tax legislation the applied corporate income tax rate is 20.0% in 2016 and 2015.

(In thousands of tenge, unless otherwise is stated)

10. Taxation (continued)

The reconciliation between the corporate income tax expense in the accompanying financial statements and profit before corporate income tax expense multiplied by the statutory tax rate for the years ended 31 December is as follows:

	2016	*2015*
Profit before corporate income tax expense	**4,901,041**	5,928,833
Statutory tax rate	**20%**	20%
Theoretical corporate income tax expense at the statutory rate	**980,208**	1,185,767
Non-taxable income		
Non-taxable income from government securities	**(13,621)**	(10,106)
Non-deductible expenses		
Allowance for loan impairment	**10,059**	–
Administrative expenses	**13,839**	12,083
Property and equipment used in non-core activities	**1,709**	1,709
Expenses from non-banking activities	**2,258**	918
Other taxes payable	**–**	5,951
Other non-deductible expenses	**2,829**	8,406
Corporate income tax expenses	**997,281**	1,204,728

As at 31 December 2016, current corporate income tax prepaid was equal to KZT 159,986 thousand. As at 31 December 2015, current corporate income tax payable was equal to KZT 120,000 thousand.

Deferred tax balances, calculated by applying the statutory tax rates in effect at the respective statement of financial position dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the financial statements, comprise the following at 31 December:

	2014	*Origination and decrease of temporary differences in profit and loss*	*2015*	*Origination and decrease of temporary differences in profit and loss*	*2016*
Tax effect of temporary differences					
Accrued other administrative expenses	4,651	393	5,044	**5,762**	**10,806**
Accrued interest expenses	3,136	(3,136)	–	**–**	**–**
Deferred income tax assets	7,787	(2,743)	5,044	**5,762**	**10,806**
Property and equipment and intangible assets	(11,604)	4,342	(7,262)	**5,437**	**(1,825)**
Deferred corporate income tax liabilities	(11,604)	4,342	(7,262)	**5,437**	**(1,825)**
Total deferred corporate income tax (liabilities)/assets, net	(3,817)	1,599	(2,218)	**11,199**	**8,981**

11. Other assets

As at 31 December, other assets comprise the following:

	2016	*2015*
Prepayments	**12,063**	10,944
Inventory	**2,427**	2,779
Accounts receivable for agency services	**–**	43,317
Other	**12,062**	10,956
Total other assets	**26,552**	67,996

As at 31 December 2016 and 2015, other assets are neither past due nor impaired.

(In thousands of tenge, unless otherwise is stated)

12. Amounts due to other banks

As at 31 December, amounts due to other banks comprise the following:

	2016	*2015*
Commercial banks	**1,420,107**	1,609,733
Parent	**116,962**	6,597,610
Banks under Parent control	**78,679**	21,489
	1,615,748	8,228,832
Held as security against guarantees (*Note 16*)	**61,110**	–
Total amounts due to other banks	**1,676,858**	8,228,832

13. Amounts due to customers

As at 31 December, amounts due to customers comprise the following:

	2016	*2015*
Current accounts and demand deposits		
Corporate clients	**169,555,603**	94,883,687
Individuals	**3,339,997**	4,530,319
	172,895,600	99,414,006
Time deposits		
Corporate clients	**3,833,500**	3,512,386
Individuals	**1,114,289**	1,944,215
	4,947,789	5,456,601
Total amounts due to customers	**177,843,389**	104,870,607
Held as security against guarantees	**381,658**	387,249
Held as security against letters of credit	**20,507**	20,921
Total amount held as security against guarantees and letters of credit (*Note 16*)	**402,165**	408,170

As at 31 December 2016, the Bank's top ten customers accounted for approximately 87.4% of the total amounts due to customers (as at 31 December 2015: 68.8%). As at 31 December 2016, the aggregate amount due to such customers was equal to KZT 155,422,796 thousand (31 December 2015: KZT 72,109,412 thousand).

As at 31 December 2016, deposits of individuals included in time deposits were equal to KZT 1,114,289 thousand (31 December 2015: KZT 1,944,215 thousand). In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

An analysis of customer accounts by economic sector follows:

	2016	*2015*
Transportation and communication	**90,035,592**	631,864
Oil and gas industry	**58,675,347**	38,921,708
Customer services	**9,303,699**	1,548,751
Real estate construction	**5,454,542**	50,180,882
Mining industry	**4,458,701**	384,739
Individuals	**4,454,286**	6,474,534
Trade	**3,025,462**	5,213,082
Manufacturing	**1,781,669**	1,371,199
Other	**654,091**	143,848
	177,843,389	104,870,607

(In thousands of tenge, unless otherwise is stated)

14. Other liabilities

As at 31 December, other liabilities comprise the following:

	2016	*2015*
Prepayment for agency services (trust activities)	**933,162**	–
Fee and commission expenses accrued	**108,637**	13,013
Taxes payable, other than corporate income tax	**69,756**	28,067
Due to employees	**24,042**	–
Provision for unused vacations	**17,788**	14,822
Provision for contingent liabilities	**17,696**	6,676
Prepayment for guarantees issued	**9,254**	–
Creditors on non-core activities	**3,138**	3,319
Other	**3,152**	269
	1,186,625	66,166

15. Equity

As at 31 December 2016 and 2015, the Bank has 5,150 issued, outstanding and fully paid common shares. Each common share is entitled to one vote and shares rank equally for dividends. All shares are KZT denominated and have placement value of KZT 1,065,050 each. No dividends were declared or paid during 2016 and 2015. As at 31 December 2016 and 2015, total value of all common shares was equal to KZT 5,485,008 thousand.

As at 31 December 2016 and 2015, all issued shares belong to Bank of China Limited, Beijing.

Statutory reserve to cover unforeseen risks and future losses is equal to KZT 3,833,350 thousand. The funds from the statutory reserve could be allocated only upon the Shareholder's official authorisation.

16. Commitments and contingencies

Political and economic environment

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

In 2016, similar to 2015, the Kazakhstan economy continued to be negatively impacted by a significant decline in crude oil prices and a significant KZT devaluation. These factors resulted in a reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding further economic growth, which could negatively affect the Bank's future financial position, results of operations and business prospects. The management of the Bank believes that it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

Legal

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

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the above described trials.

(In thousands of tenge, unless otherwise is stated)

16. Commitments and contingencies (continued)

Commitments and contingencies

At 31 December 2016 and 2015, the Bank's commitments and contingencies comprise the following:

	2016	*2015*
Credit related commitments		
Guarantees issued	**3,615,940**	832,460
Undrawn loan facilities	**2,714,857**	2,822,757
Letters of credit	**–**	160,776
	6,330,797	3,815,993
Operating lease commitments		
Not later than 1 year	**14,400**	20,368
Capital expenditures commitments	**–**	–
Less: provisions for contingent liabilities *(Note 14)*	**(17,696)**	(6,676)
Commitments and contingencies (before collateral)	**6,327,501**	3,829,685
Less: cash held as security against guarantees and letters of credit *(Note 12, 13)*	**(463,275)**	(408,170)
Commitments and contingencies	**5,864,226**	3,421,515

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

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

The Bank requires collateral to support credit-related financial instruments when it is deemed necessary.

Trust activities

The Bank provides agency services on administration of loans issued by the Branch of the Bank of China registered in the Cayman Islands, Branch of the Bank of China registered in London, Branch of the Bank of China registered in Luxembourg, Branch of the Bank of China registered in Hainan, Branch of the Bank of China Shanghai, Hongkou division established in PRC (hereinafter – "Lender"). Such bank lenders are under control of the Parent bank. The Bank is not a trustee of the Lender and is not exposed to credit risks on loans issued by the Lender. In this connection, the respective loans are not recognised in the Bank's statement of financial position. As at 31 December 2016, such loans issued by the Lender were equal to KZT 339,705,832 thousand (31 December 2015: KZT 371,788,044 thousand).

17. Fee and commission income and expenses

Fee and commission income and expenses for the years ended 31 December comprised the following:

	2016	*2015*
Agency services	**1,320,978**	1,584,546
Settlement transactions	**264,383**	312,931
Cash transactions	**48,884**	53,956
Guarantees and letters of credit	**30,267**	24,724
Maintenance of settlement accounts	**12,638**	10,244
Other	**57,614**	53,388
Fee and commission income	**1,734,764**	2,039,789
Settlement transactions	**(11,896)**	(12,974)
Payment of KASE membership fee	**(13,496)**	(10,359)
Brokerage services	**(1,940)**	(409)
Cash transactions	**(544)**	(397)
Commission expenses	**(27,876)**	(24,139)
Net commission income	**1,706,888**	2,015,650

During 2016, commission income for agency services in the amount of KZT 1,320,978 thousand (in 2015: KZT 1,584,546 thousand) is related to commission received by the Bank for activities as an agent on loans to customers issued by the Lender *(Note 16)*. The Bank provides services related to management of loans to corporate clients – residents of the Republic of Kazakhstan.

(In thousands of tenge, unless otherwise is stated)

18. Other income

For the year ended 31 December 2016, other income was mainly represented by fines and penalties from borrowers for late repayment of debt to the Bank. Total income from fines and penalties was equal to KZT 72,648 thousand, out of which KZT 46,874 thousand was paid to the Bank in 2016.

19. Personnel and other administrative expenses

Personnel and other administrative expenses for the years ended 31 December comprise the following:

	2016	*2015*
Salaries and bonuses	**(427,192)**	(428,074)
Social security contribution	**(42,625)**	(44,785)
Personnel expenses	(469,817)	(472,859)
Information services	**(188,955)**	(146,814)
Repair and maintenance of property and equipment	**(46,147)**	(46,197)
Professional services	**(38,497)**	(21,549)
Security	**(38,166)**	(37,659)
Travel expenses	**(35,850)**	(29,512)
Representation expenses	**(23,320)**	(24,388)
Deposits guaranteed insurance costs	**(18,664)**	(17,644)
Rent expenses	**(17,448)**	(21,016)
Transportation expenses	**(5,776)**	(3,462)
Encashment	**(3,540)**	(3,756)
Advertising and marketing	**(482)**	(174)
Other	**(20,482)**	(12,377)
Other administrative expenses	**(437,327)**	(364,548)

20. Risk management

Introduction

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent authorised collegiate bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Bank.

Risk and internal control committee reporting to the Board of Directors of the Bank

The Risk and internal control Committee reporting to the Board of Directors of the Bank has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

(In thousands of tenge, unless otherwise is stated)

20. Risk management (continued)

Introduction (continued)

Risk Controlling

The Risk Control Department is responsible for monitoring compliance with risk principles, policies and limits, across the Bank, for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Assets and Liabilities Management Committee of the Bank

Assets and Liabilities Management Committee reporting to the Board of Directors of the Bank is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit department that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geography risks takes place.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, credit risks, and exposures arising from forecast transactions.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

(In thousands of tenge, unless otherwise is stated)

20. Risk management (continued)

Credit risk (continued)

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and undertake corrective action.The credit policy is reviewed and approved by the Board of the Bank.

A credit policy establishes:

- Procedures for review and approval of loan applications;
- Methodology of borrowers' creditworthiness assessment (corporate clients and individuals);
- Methodology of counteragents' creditworthiness assessment;
- Methodology of proposed collateral assessment;
- Requirements to loan documentation;
- Procedures of on-going monitoring of loans and other credit risk bearing products.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

The carrying amount of components of the statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, their carrying amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is presented in *Note 7* "Loans to customers" and *Note 16* "Commitments and contingencies".

Credit quality on accepted collateral

As at 31 December 2016, the Bank issued unsecured loans in the total amount of KZT 1,651,639 thousand (31 December 2015: KZT 1,840,455 thousand). As at 31 December 2016 and 2015, these loans were neither past due nor impaired.

(In thousands of tenge, unless otherwise is stated)

20. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank's internal credit ratings. The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Bank's credit rating system.

In the table below loans to banks and customers of high grade are those having a minimal level of credit risk, normally with a credit rating on or close to sovereign level or very well collateralised. Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises loans below standard grade but not individually impaired. Financial assets of the Bank as at 31 December 2016 and 2015 are neither overdue nor impaired, except for one loan disclosed in *Note 7*.

	Note	*High grade 2016*	*Standard 2016*	*Sub-standard 2016*	*Individually impaired 2016*	*Total 2016*
Accounts with the NBRK	5	**185,847,047**	**–**	**–**	**–**	**185,847,047**
Amounts due from other banks	6	**5,188,189**	**–**	**–**	**–**	**5,188,189**
Loans to customers						
Loans to small and medium business		**5,942,672**	**1,177,021**	**199,469**	**289,984**	**7,609,146**
Loans to large business		**1,525,217**	**2,947,974**	**–**	**–**	**4,473,191**
Mortgage loans		**–**	**308,229**	**–**	**–**	**308,229**
Consumer loans		**–**	**182,504**	**–**	**–**	**182,504**
	7	**7,467,889**	**4,615,728**	**199,469**	**289,984**	**12,573,070**
Held-to-maturity investment securities	9	**1,145,426**	**–**	**–**	**–**	**1,145,426**
Other financial assets	11	**10,000**	**–**	**–**	**1,001**	**11,001**
Total		**199,658,551**	**4,615,728**	**199,469**	**290,985**	**204,764,733**

	Note	*High grade 2015*	*Standard 2015*	*Sub-standard 2015*	*Individually impaired 2015*	*Total 2015*
Accounts with the NBRK	5	107,077,254	–	–	–	107,077,254
Amounts due from other banks	6	6,647,143	–	–	–	6,647,143
Loans to customers						
Loans to small and medium business		3,788,439	6,074,227	–	254,100	10,116,766
Loans to large business		3,839,408	1,549,428	1,840,455	–	7,229,291
Mortgage loans		–	370,247	–	–	370,247
Consumer loans		–	267,483	–	–	267,483
	7	7,627,847	8,261,385	1,840,455	254,100	17,983,787
Held-to-maturity investment securities	9	1,180,120	–	–	–	1,180,120
Other financial assets	11	–	53,317	–	–	53,317
Total		122,532,364	8,314,702	1,840,455	254,100	132,941,621

(In thousands of tenge, unless otherwise is stated)

20. Risk management (continued)

Credit risk (continued)

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining allowance amounts include: the sustainability of the counterparty's business plan; its ability to improve performance once a financial difficulty has arisen; projected receipts and the expected dividend payout should bankruptcy ensue; the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is no objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

Calculation of allowances on a collective basis is performed separately for loans originally assessed on a collective basis, and for loans that are individually assessed for impairment and for which it has been found that the loans are not impaired. Allowances for groups of assets that are measured on a collective basis are calculated on the basis of the past, (previous 24 months) loss experience on assets with similar credit risk characteristics. The management of the unit is responsible for the correctness of allowance calculations.

Financial guarantees and letters of credit are assessed and an allowance made in accordance with internal methodology approved by the Management Board.

The geographical concentration of Bank's financial assets and liabilities is set out below:

	2016		
	Kazakhstan	*Other countries*	*Total*
Assets			
Cash and accounts with the NBRK	**186,557,225**	**–**	**186,557,225**
Amounts due from other banks	**–**	**5,188,189**	**5,188,189**
Loans to customers	**12,521,132**	**–**	**12,521,132**
Held-to-maturity investment securities	**1,145,426**	**–**	**1,145,426**
Other financial assets	**11,001**	**–**	**11,001**
	200,234,784	**5,188,189**	**205,422,973**
Liabilities			
Amounts due to other banks	**1,012,996**	**663,862**	**1,676,858**
Amounts due to customers	**174,828,246**	**3,015,143**	**177,843,389**
Other financial liabilities	**129,208**	**–**	**129,208**
	175,970,450	**3,679,005**	**179,649,455**
Net position on assets and liabilities	**24,264,334**	**1,509,184**	**25,773,518**

(In thousands of tenge, unless otherwise is stated)

20. Risk management (continued)

Credit risk (continued)

	2015		
	Kazakhstan	*Other countries*	*Total*
Assets			
Cash and accounts with the NBRK	108,341,155	–	108,341,155
Amounts due from other banks	–	6,647,143	6,647,143
Loans to customers	17,958,797	–	17,958,797
Held-to-maturity investment securities	1,180,120	–	1,180,120
Other financial assets	53,317	–	53,317
	127,533,389	6,647,143	134,180,532
Liabilities			
Amounts due to other banks	1,372,300	6,856,532	8,228,832
Amounts due to customers	99,681,004	5,189,603	104,870,607
Other financial liabilities	10,396	–	10,396
	101,063,700	12,046,135	113,109,835
Net position on assets and liabilities	26,469,689	(5,398,992)	21,070,697

Assets and liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held. Other countries comprise mainly People's Republic of China, Hong Kong, United States of America and European Union countries.

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. Also, it manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank is obliged to comply with liquidity requirements established by the regulators including requirements of the NBRK represented by obligatory norms. The Banks monitors a number of internal indicators in a daily basis. The Bank's Treasury Department manages short-term liquidity on an on-going basis using cash position and portfolio of highly marketable securities.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The Bank also entered into arrangements with the NBRK to have committed lines of credit that it can assess to meet liquidity needs. In addition, the Bank maintains cash (obligatory reserve) with the NBRK, the amount of which depends on the level of customer deposits attracted *(Note 5)*.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities at 31 December 2016 and 2015, based on contractual undiscounted payments. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

2016	*On demand and less than 1 months*	*From 1 to 3 months*	*From 3 months less than 12 months*	*From 1 to 5 years*	*Total*
Amounts due to other banks	**1,615,748**	**–**	**–**	**61,110**	**1,676,858**
Amounts due to customers	**174,202,577**	**1,310,520**	**2,370,968**	**3,983**	**177,888,048**
Other financial liabilities	**–**	**129,208**	**–**	**–**	**129,208**
Total undiscounted financial liabilities	**175,818,325**	**1,439,728**	**2,370,968**	**65,093**	**179,694,114**

(In thousands of tenge, unless otherwise is stated)

20. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

2015	*On demand and less than 1 months*	*From 1 to 3 months*	*From 3 months less than 12 months*	*From 1 to 5 years*	*Total*
Amounts due to other banks	8,228,832	–	–	–	8,228,832
Amounts due to customers	99,048,226	1,665,903	4,196,295	52,536	104,962,960
Other financial liabilities	5,772	4,624	–	–	10,396
Total undiscounted financial liabilities	107,282,830	1,670,527	4,196,295	52,536	113,202,188

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies. Each undrawn commitment on lending is included in the time band containing the earliest date it can be drawn down. In the case of financial guarantee contracts the maximum amount of guarantee applies to the earliest period in which this guarantee may be called.

	Less than 3 months	*From 3 months to 1 year*	*1 year to 5 years*	*Total*
2016	**2,448,798**	**2,368,624**	**1,046,804**	**5,864,226**
2015	181,867	34,825	3,204,823	3,421,515

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The Bank is exposed to market risk on trading portfolio. Non-trading positions are managed and monitored using other sensitivity analysis. Except for the concentrations within foreign currency, the Bank has no significant concentration of market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's statement of comprehensive income.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets and financial liabilities held at 31 December 2016 and 2015.

Currency	*Increase in basis points 2016*	*Sensitivity of net interest income 2016*
US dollar	**+100**	**1,463**

Currency	*Decrease in basis points 2016*	*Sensitivity of net interest income 2016*
US dollar	**-100**	**(1,463)**

(In thousands of tenge, unless otherwise is stated)

20. Risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Currency	*Increase in basis points 2015*	*Sensitivity of net interest income 2015*
US dollar	+100	40,711

Currency	*Decrease in basis points 2015*	*Sensitivity of net interest income 2015*
US dollar	-100	(40,711)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on positions by currency based on the NBRK regulations. Positions are monitored on a daily basis.

The following table presents financial assets and liabilities by currency:

As at 31 December 2016	*Tenge*	*US dollars*	*Other currencies*	*Total*
Assets				
Cash and accounts with the NBRK	**68,360,815**	**117,452,368**	**744,042**	**186,557,225**
Amounts due from other banks	–	**4,738,351**	**449,838**	**5,188,189**
Loans to customers	**9,101,900**	**3,419,232**	–	**12,521,132**
Held-to-maturity investment securities	**1,145,426**	–	–	**1,145,426**
Other financial assets	**11,001**	–	–	**11,001**
Total assets	**78,619,142**	**125,609,951**	**1,193,880**	**205,422,973**
Liabilities				
Amounts due to other banks	**195,641**	**775,262**	**705,955**	**1,676,858**
Amounts due to customers	**53,157,858**	**124,329,077**	**356,454**	**177,843,389**
Other financial liabilities	**129,208**	–	–	**129,208**
Total liabilities	**53,482,707**	**125,104,339**	**1,062,409**	**179,649,455**
Net	**25,136,435**	**505,612**	**131,471**	**25,773,518**

As at 31 December 2015	*Tenge*	*US dollars*	*Other currencies*	*Total*
Assets				
Cash and accounts with the NBRK	19,324,321	86,741,842	2,274,992	108,341,155
Amounts due from other banks	–	5,369,748	1,277,395	6,647,143
Loans to customers	14,982,262	2,976,535	–	17,958,797
Held-to-maturity investment securities	1,180,120	–	–	1,180,120
Other financial assets	10,000	43,317	–	53,317
Total assets	35,496,703	95,131,442	3,552,387	134,180,532
Liabilities				
Amounts due to other banks	6,619,099	1,049,796	559,937	8,228,832
Amounts due to customers	12,063,488	91,527,045	1,280,074	104,870,607
Other financial liabilities	10,396	–	–	10,396
Total liabilities	18,692,983	92,576,841	1,840,011	113,109,835
Net	16,803,720	2,554,601	1,712,376	21,070,697

(In thousands of tenge, unless otherwise is stated)

20. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Bank has significant exposure at 31 December 2016 and 2015 on its non-trading assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the tenge, with all other variables held constant on the statement of comprehensive income (due to the fair value of currency sensitive non-trading assets and liabilities). The effect on equity does not differ from the effect on the statement of comprehensive income. All other parameters are held constant. The negative amount in the table reflects a potential net reduction in statement of comprehensive income or equity, while a positive amount reflects a net potential increase.

Currency	*Change in exchange rate, in % 2016*	*Effect on profit before tax 2016*	*Change in exchange rate, in % 2015*	*Effect on profit before tax 2015*
US dollar	**+13%**	**65,730**	+60%	1,529,292
Other currencies	**+10%**	**13,147**	+60%	1,027,428

Currency	*Change in exchange rate, in % 2016*	*Effect on profit before tax 2016*	*Change in exchange rate, in % 2015*	*Effect on profit before tax 2015*
US dollar	**-13%**	**(65,730)**	-20%	(509,764)
Other currencies	**-10%**	**(13,147)**	-20%	(342,476)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or can lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access rights, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

21. Fair value of financial instruments

Procedures of fair value measurement

For the purpose of significant assets evaluation, such as real estate, external appraisers are engaged. Involvement of external valuers is decided upon annually by the investment committee after discussion with and approval by the Bank's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The investment committee decides, after discussions with the Bank's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the investment committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the investment committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The investment committee, in conjunction with the Bank's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the investment committee and the Bank's external valuers present the valuation results to the audit committee and the Bank's independent auditors. In addition, main assumptions used during the appraisal are discussed.

(In thousands of tenge, unless otherwise is stated)

21. Fair value of financial instruments (continued)

Procedures of fair value measurement (continued)

For the purpose of disclosing the fair values, the Bank determined classes of assets and liabilities based on the assets and liabilities nature, characteristics and risks as well as the hierarchy of fair value sources. As at 31 December 2016 and 2015, the Bank did not have financial instruments recorded in the financial statements at fair value. The fair value was assessed as at 31 December for the following assets and liabilities:

	Fair value measurement with the use of			
At 31 December 2016	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets whose fair value is disclosed				
Cash and accounts with the NBRK	**186,557,225**	**–**	**–**	**186,557,225**
Amounts due from other banks	**–**	**–**	**5,188,189**	**5,188,189**
Loans to customers	**–**	**–**	**12,367,212**	**12,367,212**
Held-to-maturity investment securities	**1,145,426**	**–**	**–**	**1,145,426**
Other financial assets	**–**	**–**	**11,001**	**11,001**
Liabilities whose fair value is disclosed				
Amounts due to credit institutions	**–**	**–**	**1,676,858**	**1,676,858**
Amounts due to customers	**–**	**–**	**177,809,945**	**177,809,945**
Other financial liabilities	**–**	**–**	**129,208**	**129,208**

	Fair value measurement with the use of			
At 31 December 2015	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets whose fair value is disclosed				
Cash and accounts with the NBRK	108,341,155	–	–	108,341,155
Amounts due from other banks	–	–	6,647,143	6,647,143
Loans to customers	–	–	16,849,261	16,849,261
Held-to-maturity investment securities	1,104,330	–	–	1,104,330
Other financial assets	–	–	53,317	53,317
Liabilities whose fair value is disclosed				
Amounts due to credit institutions	–	–	8,228,832	8,228,832
Amounts due to customers	–	–	104,469,640	104,469,640
Other financial liabilities	–	–	10,396	10,396

(In thousands of tenge, unless otherwise is stated)

21. Fair value of financial instruments (continued)

Financial instruments not carried at fair value in the statement of financial position

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial assets and liabilities that are not carried at fair value in the statement of financial position. As at 31 December 2016 and 2015, the Bank did not have financial instruments recorded in the financial statements at fair value. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2016			*2015*		
	Carrying amount	*Fair value*	*Unrecognised gain/(loss)*	*Carrying amount*	*Fair value*	*Unrecognised gain/(loss)*
Financial assets						
Cash and cash equivalents	**186,557,225**	**186,557,225**	**–**	108,341,155	108,341,155	–
Accounts with other banks	**5,188,189**	**5,188,189**	**–**	6,647,143	6,647,143	–
Loans to customers	**12,521,132**	**12,367,212**	**(153,920)**	17,958,797	16,849,261	(1,109,536)
Held-to-maturity investment securities	**1,145,426**	**1,145,426**	**–**	1,180,120	1,104,330	(75,790)
Other financial assets	**11,001**	**11,001**	**–**	53,317	53,317	–
Financial liabilities						
Amounts due to credit institutions	**1,676,858**	**1,676,858**	**–**	8,228,832	8,228,832	–
Amounts due to customers	**177,843,389**	**177,809,945**	**33,444**	104,870,607	104,469,640	400,967
Other financial liabilities	**129,208**	**129,208**	**–**	10,396	10,396	–
Total unrecognised change in unrealised fair value			**(120,476)**			(784,359)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than one year) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity and short-term loans to customers.

Financial assets and liabilities at amortized cost

In the event of quoted debt instruments, fair value is based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

(In thousands of tenge, unless otherwise is stated)

22. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See *Note 20* "Risk management" for the Company's contractual undiscounted repayment obligations.

The table below summarizes 2016 maturity profile of the assets and liabilities.

As at 31 December 2016	*On demand and less than 1 months*	*From 1 to 3 months*	*From 3 months to 1 year*	*1 to 5 years*	*Later than 5 years*	*Without maturity*	*Total*
Assets							
Cash and accounts with the NBRK	**186,557,225**	–	–	–	–	–	**186,557,225**
Amounts due from other banks	**5,188,189**	–	–	–	–	–	**5,188,189**
Loans to customers	**527,931**	**1,762,206**	**2,106,280**	**7,574,325**	**550,390**	–	**12,521,132**
Held-to-maturity investment securities	**1,145,426**	–	–	–	–	–	**1,145,426**
Property and equipment						**2,494,358**	**2,494,358**
Intangible assets	–	–	–	–	–	**8,712**	**8,712**
Current corporate income tax prepaid	–	**159,986**	–	–	–	–	**159,986**
Deferred corporate income tax assets	–	–	–	–	–	**8,981**	**8,981**
Other assets	**11,001**	–	–	–	–	**15,551**	**26,552**
Total assets	**193,429,772**	**1,922,192**	**2,106,280**	**7,574,325**	**550,390**	**2,527,602**	**208,110,561**
Liabilities							
Amounts due to other banks	**1,615,748**	–	–	**61,110**	–	–	**1,676,858**
Amounts due to customers	**174,200,060**	**1,309,044**	**2,330,600**	**3,685**	–	–	**177,843,389**
Other liabilities	**77,712**	**279,448**	**829,465**	–	–	–	**1,186,625**
Total liabilities	**175,893,520**	**1,588,492**	**3,160,065**	**64,795**	–	–	**180,706,872**
Net position	**17,536,252**	**333,700**	**(1,053,785)**	**7,509,530**	**550,390**	**2,527,602**	**27,403,689**
Aggregate liquidity position as at 31 December 2016	**17,536,252**	**17,869,952**	**16,816,167**	**24,325,697**	**24,876,087**	**27,403,689**	

The table below summarizes 2015 maturity profile of the assets and liabilities.

As at 31 December 2015	*On demand and less than 1 months*	*From 1 to 3 months*	*From 3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Without maturity*	*Total*
Assets							
Cash and accounts with the NBRK	108,341,155	–	–	–	–	–	108,341,155
Amounts due from other banks	6,647,143	–	–	–	–	–	6,647,143
Loans to customers	4,073,097	250,518	717,528	12,175,319	742,335	–	17,958,797
Held-to-maturity investment securities	–	–	1,180,120	–	–	–	1,180,120
Property and equipment	–	–	–	–	–	2,580,410	2,580,410
Intangible assets	–	–	–	–	–	12,131	12,131
Other assets	55,217	–	–	–	–	12,779	67,996
Total assets	119,116,612	250,518	1,897,648	12,175,319	742,335	2,605,320	136,787,752
Liabilities							
Amounts due to other banks	8,228,832	–	–	–	–	–	8,228,832
Amounts due to customers	99,043,751	1,651,674	4,122,716	52,466	–	–	104,870,607
Current corporate income tax payable	–	120,000	–	–	–	–	120,000
Deferred income tax liability	–	–	–	–	–	2,218	2,218
Other liabilities	59,220	167	253	6,526	–	–	66,166
Total liabilities	107,331,803	1,771,841	4,122,969	58,992	–	2,218	113,287,823
Net position	11,784,809	(1,521,323)	(2,225,321)	12,116,327	742,335	2,603,102	23,499,929
Aggregate liquidity position as at 31 December 2015	11,784,809	10,263,486	8,038,165	20,154,492	20,896,827	23,499,929	

(In thousands of tenge, unless otherwise is stated)

22. Maturity analysis of assets and liabilities (continued)

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due on demand and less than one month in the tables above.

Included in due to customers are term deposits of individuals. In accordance with the Civil Code of the Republic of Kazakhstan, the Bank is obliged to repay such deposits upon demand of a depositor *(Note 13)*.

23. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions with China government-related entities

The Shareholder controls the activities of the Bank through the Parent. The financial statements disclose transactions with the Parent and operations with the state entities and companies under common control where the share of the government constitutes 50% and more. The Bank makes banking transactions with these entities including acceptance of deposits and extension of loans, issuance of guarantees, securities purchase/sale operations.

Guarantees received from the branch of the Bank of China, the Cayman Islands, the branch of the Bank of China in Beijing and the Bank of China Limited.

Balance of related party transactions as at 31 December 2016 and 2015 is presented below:

	2016				*2015*			
	Parent	*Banks under control of the Parent*	*Key management personnel*	*Companies under control of the Shareholder*	*Parent bank*	*Companies under control of the Parent*	*Key management personnel*	*Companies under control of the Shareholder*
Assets								
Amounts due from other banks	**811,009**	**4,377,180**	**–**	**–**	1,609,132	5,038,011	–	–
Loans to customers	**–**	**–**	**3,014**	**126,422**	–	–	3,812	156,554
Liabilities								
Amounts due to other banks	**116,962**	**78,679**	**–**	**–**	6,597,610	21,489	–	–
Amounts due to customers	**–**	**–**	**22,377**	**163,560,290**	–	–	59,307	55,132,396
Other financial liabilities	**–**	**93,174**	**–**	**802,422**	–	–	–	–
Contingencies								
Guarantees issued	**–**	**–**	**–**	**183,642**	–	–	–	–
Guarantees received	**–**	**1,221,628**	**–**	**–**	–	243,986	–	–

(In thousands of tenge, unless otherwise is stated)

23. Related party disclosures (continued)

Transactions with China government-related entities (continued)

The income and expenses on transactions with related parties for the years ended 31 December 2016 and 2015 were as follows:

	2016				*2015*			
	Parent	***Banks under control of the Parent***	***Key management personnel***	***Companies under control of the Shareholder***	***Parent bank***	***Companies under control of the Parent***	***Key management personnel***	***Companies under control of the Shareholder***
Interest income	**1,149**	**58,895**	**290**	**3,883**	447	26,138	391	2,634
Interest expenses	**–**	**–**	**(217)**	**–**	–	–	(837)	–
Fee and commission income	**–**	**2,829**	**–**	**743,011**	1,273	3,727	–	792,940
Commission expenses	**(4,161)**	**(114)**	**–**	**–**	(4,512)	(83)	–	–
Net loss from foreign currencies	**78**	**26,156**	**–**	**–**	–	(1,113)	–	–
General and administrative expenses	**–**	**(104,814)**	**–**	**–**	–	(82,849)	–	–

Interest rates on transactions with related parties for the years ended 31 December 2016 and 2015 were as follows:

	2016				*2015*			
	Parent bank	***Banks under control of the Parent***	***Key management personnel***	***Other related parties***	***Parent bank***	***Companies under control of the Parent***	***Key management personnel***	***Other related parties***
Amounts due from other banks	**0.05%**	**0.15-0.75%**	**–**	**–**	0.05%	0.15-0.75%	–	–
Loans to customers	**–**	**–**	**9.00%**	**3.00%**	–	–	10.80%	2.57%
Amounts due to other banks	**–**	**–**	**–**	**–**	–	–	–	–
Amounts due to customers	**–**	**–**	**0.03%**	**–**	–	–	0.03-2.5%	–

Below is information about remuneration paid to 7 members (2015: 7 members) of key management personnel for the years ended 31 December:

	2016	***2015***
Salary and other short-term benefits	**42,325**	39,453
Social security contribution	**3,945**	3,626
	46,270	43,079

24. Capital adequacy

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the NBRK.

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

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

(In thousands of tenge, unless otherwise is stated)

24. Capital adequacy (continued)

Starting from 1 February 2015 and as at 31 December 2016 and 2015, the Bank calculates capital adequacy ratios in accordance with the principles established by Basel Accord II.

- Capital adequacy ratio k1 is calculated as the ratio of basic tier one capital to credit risk weighted assets and contingent liabilities, assets, contingencies and potential claims and liabilities calculated on the basis of market risk, as well as the level of operating risk.

- Capital adequacy ratio k1-2 is calculated as the ratio of tier one capital to the amount of credit risk weighted assets and contingent liabilities, assets, contingencies and potential claims and liabilities calculated on the basis of market risk, as well as the level of operating risk.

- Capital adequacy ratio k2 is calculated as the ratio of equity to the amount of credit risk weighted assets and contingent liabilities, assets, contingencies and potential claims and liabilities calculated on the basis of market risk, as well as the level of operating risk.

As at 31 December 2016 and 2015, the NBRK required from the 2 tier banks to maintain a capital adequacy ratio of the basic capital k1 of at least 5% of credit risk weighted assets and contingent liabilities; assets, contingencies and potential claims and liabilities calculated on the basis of market risk, as well as the level of operating risk in accordance with the NBRK rules; the capital adequacy ratio k1-2 at the level of no less than 6%, and the capital adequacy ratio k2 of no less than 7.5%. Furthermore, according to the NBRK various types of buffers are applied to the requirements of capital adequacy regulations – conservation, countercyclical, system. Conservation buffer is a reserve stock of capital that must be maintained by the Bank above the minimum set regulatory capital adequacy requirements. The values of capital adequacy ratios based on a conservation buffer and the system buffer should be maintained by banks at the level of at least the following factors: capital adequacy (k1) at least 6%, a Tier (k1-2) – 7%, capital adequacy (k2) – 8.5%.

The Bank's capital adequacy ratio, computed in accordance with the NBRK requirements as at 31 December 2016 and 2015, comprise:

	2016 год	*2015 год*
Minimum amount of own equity	**10,000,000**	10,060,000
Equity / Tier 1 capital / Main capital	**27,354,375**	23,478,431
Credit risk weighted assets	**15,690,793**	20,586,722
Credit risk weighted contingent and potential liabilities	**3,260,624**	1,891,960
Market risk weighted assets and contingent liabilities, potential claims and liabilities	**111,321**	2,548,214
Operational risk	**3,638,141**	2,333,799
Capital adequacy ratio k1	**120.50%**	85.80%
Capital adequacy ratio k1-2	**120.50%**	85.80%
Capital adequacy ratio k2	**120.50%**	85.80%