



ANNUAL REPORT

2016

www.kmf.kz

[f / kmf.official](https://www.facebook.com/kmf.official)

Microfinance Organization "KMF" is the largest MFO in Kazakhstan and one of the largest organizations in Central Asia. The Company provides loan products aimed at supporting entrepreneurship, growth of well-being of the population, and development of agriculture.

Reporting events in 2016

Launch of a new loyalty program for all clients "Every client is a star"

In 2016, the terms of the current loyalty program were revised, the main criterion of which was active borrowing experience. Under the new conditions, each client, depending on the level of income, received a certain set of privileges (discounts on loans and other bonuses) expressed as the number of stars. From 0 stars - the initial level of loyalty when client takes out the first loan, up to five stars - the highest level of loyalty, implying discounts on loans, gifts for the holidays, participation in training workshops abroad.

The new loan terms were applied since August 1, 2016 in Almaty, since September 5, 2016 in Taraz, and since October 10, 2016 in all other regions.

Major borrowing from European Bank for Reconstruction and Development

Microfinance organization KMF received a loan of KZT 3.8 billion from the European Bank for Reconstruction and Development (EBRD). The loan was issued in two tranches and has been drawn down within six months. In total, women entrepreneurs received 8,178 loans. Behind each of them stands their own business, which allows a woman to realize her opportunities in business, make profit, take care of her family and children, secure their education!

KMF receives \$ 44 million from IFC: The largest deal in the microfinance market in Kazakhstan is completed.

Throughout 2016, KMF worked together with the International Finance Corporation (IFC), a member of the World Bank Group, on a deal to raise funding for the development of microfinance in Kazakhstan. By the year end all the terms of the proposed deal were agreed upon. As a result, KMF signed a financing agreement worth \$ 44 million. This is the first loan from IFC for Kazakhstan's microfinance sector. The funds will be provided by KMF in several tranches in local currency in the equivalent of about KZT14.5 billion (at the rate of the National Bank of Kazakhstan as of the agreement date), thereby excluding currency risks for KMF customers. The syndicate of foreign investors includes the leading financial providers of the microfinance market: Microvest (USA), Bank im Bistum (Germany), Incofin (Belgium), Symbiotics (Switzerland).

The funds received under IFC syndicated loan will be used to finance entrepreneurs, particularly the people living in rural areas, where the population's access to bank financing is limited.

Launch of the Women in Business program

The Program provides for financial and non-financial support for women entrepreneurs: training workshops for women entrepreneurs, as well as mentoring and coaching.

KMF program has launched Women in Business program for its female clients, the program is co-financed by the EBRD and the Government of the Republic of Kazakhstan, which provides small and medium-sized enterprises with access to financing, know-how and advice. Increasing the role of women in the economy is a key element in strengthening the economic sustainability of countries in which the EBRD invests and one of its three strategic priorities. Workshops are held for entrepreneurs in Almaty, Astana and regional centers of Kazakhstan.

Expansion of cooperation with Kazpost, JSC

Centralized contract has been signed with Kazpost, JSC, which provided for the receipt of payments from KMF clients (repayment of loans) and crediting of the loan amounts to their accounts (loan disbursement) in all 3,450 post offices of Kazpost, JSC in Kazakhstan. Thus, the conclusion of the contract allowed to significantly expanding the network of offices, where borrowers of KMF can receive an approved loan and repay it.

"This is an important step in increasing the accessibility and convenience of borrowing for our clients, most of whom live in rural areas, in remote villages with the scarce presence of financial institutions where obtaining and servicing the loans is challenging", - commented the Chairperson of KMF Management Board Shalkar Zhussupov

In general, microfinance, especially in rural regions, fulfills an important social function, being a provider of accessible financing for the underserved Kazakhstanis. As 70% of KMF clients live in rural areas. The Company will continue to issue loans for the development and growth of business, including to residents of rural areas.

Opening of new outlets in rural areas

In 2016, new outlets were opened in several regions. In particular, in South-Kazakhstan, Kyzylorda, Aktobe and Almaty regions. Also, a new building of KMF branch in Taldykorgan was put into operation.

2. KMF in figures

At the end of 2016, the number of active KMF clients was 183 331 people, and the loan portfolio reached KZT 51.48 billion.

Today, KMF is comprised of 104 points of sale located throughout Kazakhstan with the presence in more than 3000 settlements, including 18 branches in major cities of Kazakhstan and 84 offices, 74 of which are located in rural areas. The Company has an important social impact on business customers by providing financial and non-financial services to them. This includes more than 126 000 jobs for our clients, moreover, these entrepreneurs create about 21 000 jobs for their employees, thereby ensuring employment.

More than 70% of our customers, which are 105 thousand people, are rural residents, who have implemented more than 63% of the total loan portfolio.

It is worth noting that 64% of all clients are women, and 64 thousand of those clients provided with our credit facilities are women in rural areas.

Social Performance

data as of December 31, 2016

Share of the loan portfolio by the income source	
Income from enterprenership	35%
Income from agriculture	32%
Average loan amount and coverage of population with low income	
Average loan amount, total	339 000
Coverage of population with low income: Income per 1 family member <1 minimum living wage (for new clients)	10%
Service quality	

Client satisfaction survey	92%
Client retention rate	83%
Coverage by Financial Literacy Project	105 000
Jobs created due to KMF financing	
Number of financed jobs (self-employed clients + hired workers)	144 951
including self-employed clients (financing of micro enterprises)	122 488
including number of workers hired by our clients	22 463

Financial Literacy Improvement Project

Corporate social responsibility encompasses not only the provision of financial services, but also free financial literacy training.

Since 2013, with the support of the parent organization - Corporate Fund "KMF-Demeu", KMF has been implementing the Financial Literacy Improvement Project. Workshops are free of charge not only for our clients, but for all other citizens of Kazakhstan. By January 1, 2017 the total number of participants of Financial Literacy Improvement Project exceeded 105 000 people.

Charity

Charity plays an important role in the social activities of the Company. Employees share and support this vision of the Company. Starting from 2014 all KMF branches are involved in "Kindness Campaign", under which KMF employees provide financial help to people who are in need, or help such people with household chores, etc. Employees are catering veterans of the Great Patriotic War, multi-child families and orphanages.

3. KMF Key Financial Indicators

Last year was full of challenges for the financial sector, both in Kazakhstan and abroad. But, despite the difficulties, KMF obtained significant results. The Company managed to achieve its goals and fulfill its tasks.

External factors that determine the performance of KMF included a slowdown in the economic growth and an increase in the cost of Tenge liquidity due to market conditions. Inflation was 8.5%, slightly exceeding the upper limit of the target benchmark of the National Bank of Kazakhstan at 6-8%. A number of factors did not allow staying within the established corridor, the main one of which is the rise in prices for food products.

At year-end 2016, KMF demonstrated a steady growth of all indicators. The Company's assets exceeded KZT 57 billion, with the share in the Kazakhstan microfinance market of 46%. The loan portfolio grew by 48%, the active client base increased by 21%, while the quality of the loan portfolio remains low (PAR>30) at the level of 1.8%. The disbursement in terms of the amount of loans increased by 38% as compared to 2015, and by 22% - in terms of the number of disbursed loans. At year-end 2016, KMF's net profit amounted to KZT 2,100 million, exceeding the result of the previous year by 23%. The growth rate of KMF's equity was 19%. The indicators of profitability and capital adequacy remained high - 21.8% and 18.8%, respectively. The ratio of operating expenses to the financial margin improved and as of 01.01.2017 it was 71.3%.

In 2016, KMF began to solve one of the most important tasks on improvement of the efficiency of business processes and optimization of expenses – that is transformation of the organizational structure of branches and outlets. These tasks can be accomplished by managing large branches without expanding the structure of the back office, i.e. the Company shifts from the classical

hierarchical structure to the simple management structure. Thus, now the regional back offices of the Company support the products and services, work with non-performing loans, and respond to the numerous requests of the third-party organizations. Employees of the front office are fully focused on the quality and fast client service. The pilot transformation project was approved by the Supervisory Board and launched in July 2016 in South Kazakhstan branch. As a result of the organizational structure transformation the growth rates of the loan portfolio and the volume of disbursements increased twofold in the second half of 2016. Productivity per one branch employee increased by 14%.

Optimization of the branch management structure, updating and introduction of new technologies, optimization of business processes, increase of advertising and information activity in the regions of the country and high level of client loyalty, active participation in socially significant projects created additional prerequisites for increasing the level of KMF competitiveness.

Main financial indicators for 2016

Indicators	2014	2015	2016
Return on Assets (ROA), %	5.6%	4.6%	4.3%
Return on Equity (ROE), %	30.7%	20.4%	21.8%
Operational sustainability, %	122.6%	120.1%	117.8%
Loan portfolio yield, %	44.0%	41.9%	41.6%
Portfolio at risk, %	1.3%	1.9%	1.8%
Leverage	3.2	3.8	4.3
Capital adequacy	24.2%	20.9%	18.8%

Performance

According to audited financial statements, in 2016, KMF realized the net profit of KZT **2,100** million, which is by 23% higher as compared to the result of 2015. This growth of the net profit first of all is the result of the growth of the loan portfolio by 48%.

In 2016, net interest income (or financial margin) increased by 29%, while interest income increased by 36% and interest expenses increased by 52%.

As in previous years, 99% of the aggregate interest income was received on loans to clients. For the reporting year, interest income on loans increased by KZT 4,611 million or 36% and amounted to KZT 17,493 million. Income on short-term investments increased by KZT 7,870 thousand or 8% and amounted to KZT 109 million.

Interest expenses showed a significant increase in comparison with the result of 2015. Financial expenses increased by 57% or KZT 1,874 million and amounted to KZT 5,447 million. This growth is explained by several reasons: considerable increase in the cost of new borrowings and increase in volume of liabilities following the results of 2016. Increase in interest expenses resulted in deterioration of the efficiency of financial expenses, which amounted to 16% (as compared to 14% in 2015).

Interest expenses on loans under back-to-back transactions in the amount of KZT 1,272 million are included in the net profit on financial instruments measured at fair value.

Income Item (KZT thous)	2016	2015	2014	2016-2015, %	2015-2014, %
Financial income:	17,602,278	12,983,804	9,887,396	36%	31%
Interest income on loans	16,435,349	11,974,383	9,009,758	37%	33%
Loan fees	984,132	839,511	820,661	17%	2%
Other portfolio income	73,962	68,944	35,257	7%	96%
Income on short-term investments	108,835	100,965	21,719	8%	365%
Financial expenses	5,447,495	3,573,015	2,678,831	52%	33%
Financial margin	12,154,783	9,410,789	7,208,565	29%	31%

Despite of the growth of SME products share in LP which have the lowest nominal interest rates and, as a rule, the tenor of more than 18 months, the yield of the aggregate loan portfolio was 41.6%, showing only a slight decrease as compared to the results of 2015 (41.9% following the results of 2015).

At year-end 2016, non-interest expenses amounted to KZT 2,010 million. These expenses reflect the results of transactions with foreign currency and with financial instruments measured at fair value through profit or loss. If compared to the results of 2015, non-interest expenses increased more than twofold. The main reason for the increase of these expenses is the high cost of hedging instruments, in view of KZT volatility against foreign currencies in the first half of 2016. Therefore, the difference between fair value and book value of financial instruments was significant.

Expenses for asset impairment provisions decreased by 31% or KZT 115 million as compared to the previous year and at the year-end 2016 they amounted to KZT 261 million. Reduction of expenses for provisions is explained by the decrease in PAR level, which was influenced by the more qualitative approach to assessing the solvency of clients.

The growth rate of KMF's operating expenses in 2016 was 20%, which is lower than the growth rate of expenses in 2015 (21%). At year-end 2016, operating expenses amounted to KZT 7,252 million. The most significant increase in absolute terms was shown by personnel expenses, which are the largest item of operating expenses (70% of operating expenses). The growth of personnel expenses was 21%. This growth is resulted from the increase in the number of employees by 10% and growth of the bonus part of loan specialist salaries by 26%, which depends on the growth of the loan portfolio.

At year-end 2016, the personnel numbers amounted to 1,536 people (excluding women employees who are on maternity leave). The growth in the number of employees is mainly due to the increase in the number of employees of the credit department of branches - by 18% or 127 people. The growth of other employees was 2% or 12 people.

Growth of other administrative expenses amounted to 18% that is caused by investments in development, branch network improvement and information systems, expansion of network of own terminals for loan repayment acceptance, strengthening of security at offices, current conditions improvement and new loan products developments.

Despite the growth in operating expenses, the ratio of operating expenses improved by 2.4% and by the end of 2016 it amounted to 17.4% (at the end of 2015 - 19.7%). Of these, the efficiency of personnel expenses was 12.1%, which is much better than the result of 2015 (13.7%), and the efficiency of other administrative expenses was 5.2%, having improved by 0.8% as compared to 2015 (6.0%).

Following the results of 2016 the ratio of operational expenses to financial income amounted to 41% showing improvement by 6%, as compared to the results of 2015 (47%).

Structure of operational expenses (KZT thous)	2016	2015	2014	2016-2015, % of changes	2015-2014, % of changes
Personnel expenses	5,083,984	4,195,843	3,488,687	21%	20%
Other administrative expenses	2,168,092	1,841,720	1,515,563	18%	22%
Outsourced services	522,457	427,867	367,726	22%	16%
Rent of office and apartment	477,630	422,338	366,704	13%	15%
Depreciation	255,569	192,979	149,192	32%	29%
Security	189,098	176,351	152,263	7%	16%
Office expenses	142,960	102,589	79,484	39%	29%
Communication expenses	134,423	96,785	81,422	39%	19%

Marketing, advertisement, PR	81,697	94,409	64,444	-13%	46%
Business travel expenses	83,685	74,545	44,044	12%	69%
Transport expenses	75,532	71,944	70,274	5%	2%
Building maintenance expenses	54,094	39,595	24,914	37%	59%
Other taxes	50,828	38,056	23,709	34%	61%
Charity and sponsorship	9,741	37,005	21,556	-74%	72%
Insurance	34,953	25,613	17,282	36%	48%
Other expenses	55,423	41,643	52,548	33%	-21%

Despite significant savings in administrative expenses as compared to the approved budget, the Company continues its efforts on improving the cost efficiency and employee productivity.

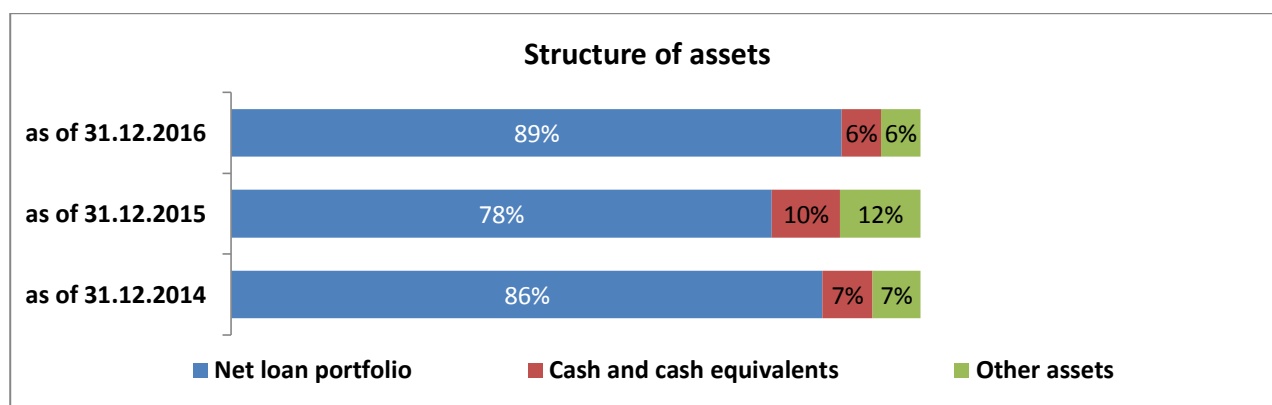
Statement of Financial Position

Overview of KMF assets

In 2016, KMF assets increased by 31% up to KZT 57,960 million. The Company's loan portfolio remains the main source of asset growth. Growth of the net loan portfolio by the end of 2016 amounted to 48.3% and reached KZT 51,489 million. Investments in fixed assets and intangible assets increased by 63%, and by the end of the year the volume of net fixed assets amounted to KZT 3,082 million.

Assets	as of 31.12.2016	as of 31.12.2015	as of 31.12.2014	2016-2015, growth rate in %	2015-2014, growth rate in %
Cash and cash equivalents	3,300,031	4,392,587	2,354,678	-25%	87%
Financial instruments measured at fair value	0	2,984,600	493,859	-100%	504%
Net loan portfolio	51,342,886	34,644,759	28,008,962	48%	24%
Other assets	235,732	278,277	158,758	-15%	75%
Net fixed assets	3,081,666	1,890,453	1,623,525	63%	16%
TOTAL ASSETS	57,960,315	44,190,676	32,639,783	31%	35%

Loans to clients remain the Company's largest asset: they account for 89% of the total assets. The share of liquid assets, including cash and short-term investments, was 5.7%. The volume of net fixed assets increased up to 5%.

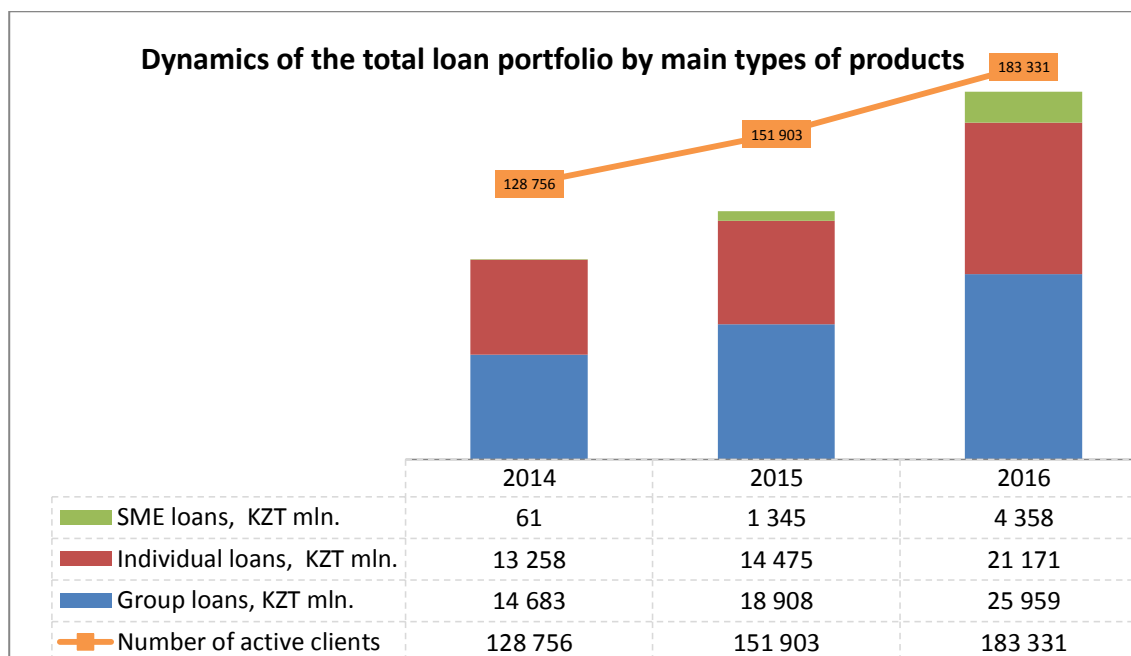


Financial instruments measured at fair value through profit or loss were transferred from claims to liabilities. The portfolio of financial instruments reflects the results of revaluation of back-to-back transactions and forward contracts.

Loan Portfolio

The total loan portfolio of KMF before the deduction of reserves increased by 48% year-on-year and amounted to KZT 51,488 million. Positive dynamics and significant volume of the loan portfolio was achieved due to the competitive conditions and individual approach to each client.

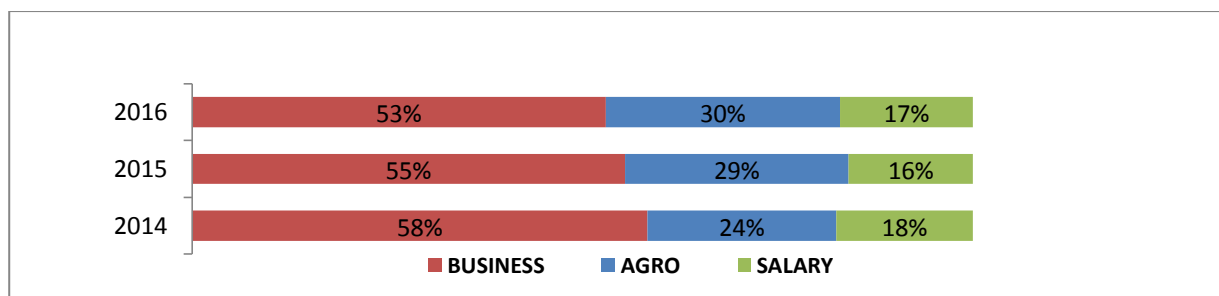
In 2016, the Company focused on the development and expansion of an active client base in those regions where it is already represented. Loyalty program for clients has been revised and launched in its updated version, which includes even more additional services. The updated program includes, as before, gifts to clients and discounts to nominal interest rates, as well as the opportunity to participate in conferences and educational events held by KMF.



Loan portfolio dynamics shown in the diagram illustrates stable loan portfolio growth. Over the last three years the loan portfolio increased almost twofold.

Group loans to individuals remain the main driver of loan portfolio growth. The total gain for group loans in the portfolio was 37%. At the same time, the share of individual loans increased significantly, which was facilitated by the growth of such products as "SME" and "Quick Solution". The share of SME loans in the total loan portfolio increased from 3% in 2015 to 8% in 2016. The volume of loans for the product "Quick Solution" increased from 2% to 11% in the total portfolio.

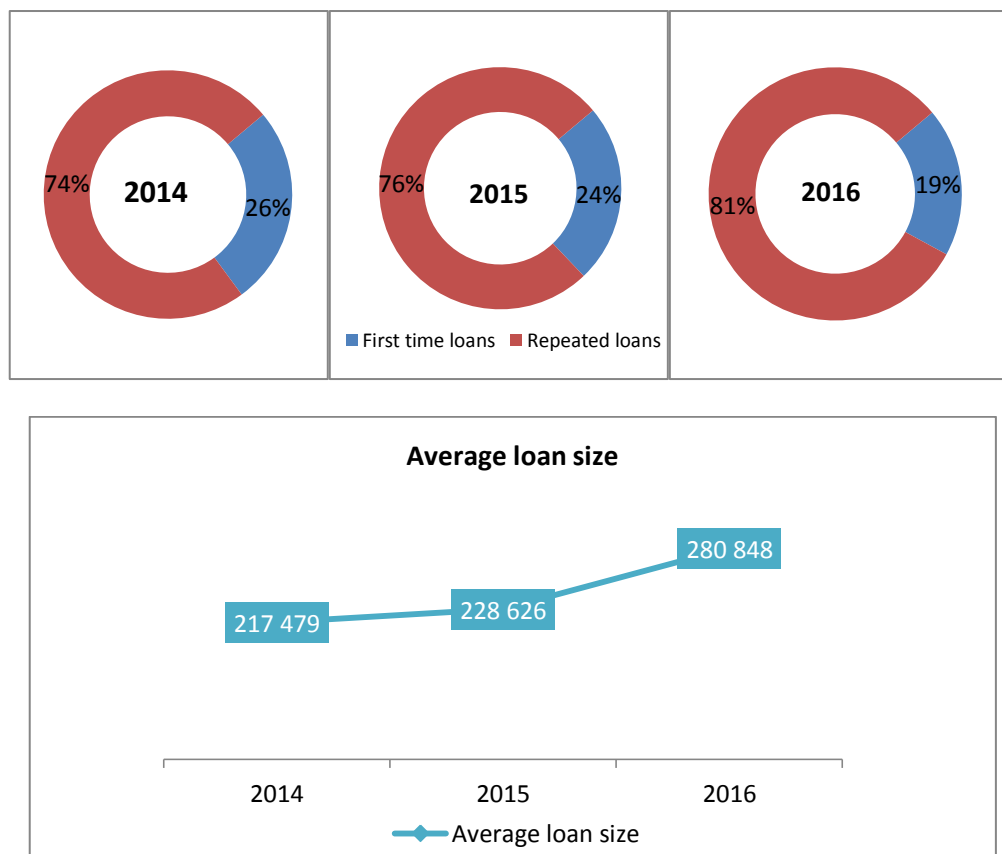
There were small changes in the structure of the loan portfolio due to the growth of the share of agro loans by 6% (from 24% in 2014 to 30% in 2016). But the largest share is taken by loans aimed at the development of small and medium-sized businesses (more than 50%). The share of loans issued for the clients with salary income source remained unchanged at the average level of 17%.



The objective of preserving the existing client base and attracting new clients in 2016 was accomplished. The total active client base was 183 thous. people following the results of 2016. Number of active clients has increased by 21% or by more than 31 thous. people, as compared to the previous year. The share of loans issued to repeated clients increased by 7% and by the end of 2016 amounted to 74%.

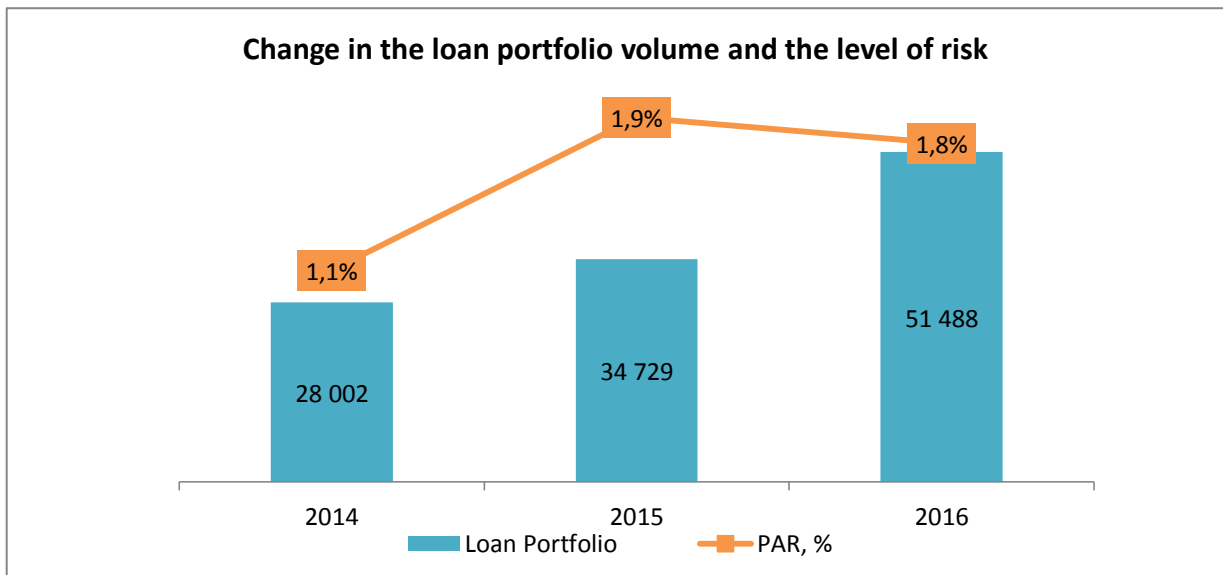
The volume of loans issued in local currency following the results of 2016 amounted to more than KZT 93 billion. As compared to the results of 2015, the total amount of issued loans increased by 38%.

Structure of the disbursement volume



Following the results of 2016, as in previous years, KMF remained within its target group of clients. 72% of issued loans were for the amounts of less than one thousand US dollars. In 2016, the average loan amount increased by 23% and amounted to KZT 280,848.

In 2016, the Company improved the quality of its loan portfolio. Thus, PAR over 30 days (non-performing assets with overdue interest payments or principal debt for more than 30 days) was 1.8% in 2016, showing a decrease of 0.1% as compared to 2015. Coverage of non-performing loans by provisions increased by 8% in 2016, as compared to 2015, and amounted to 72%.

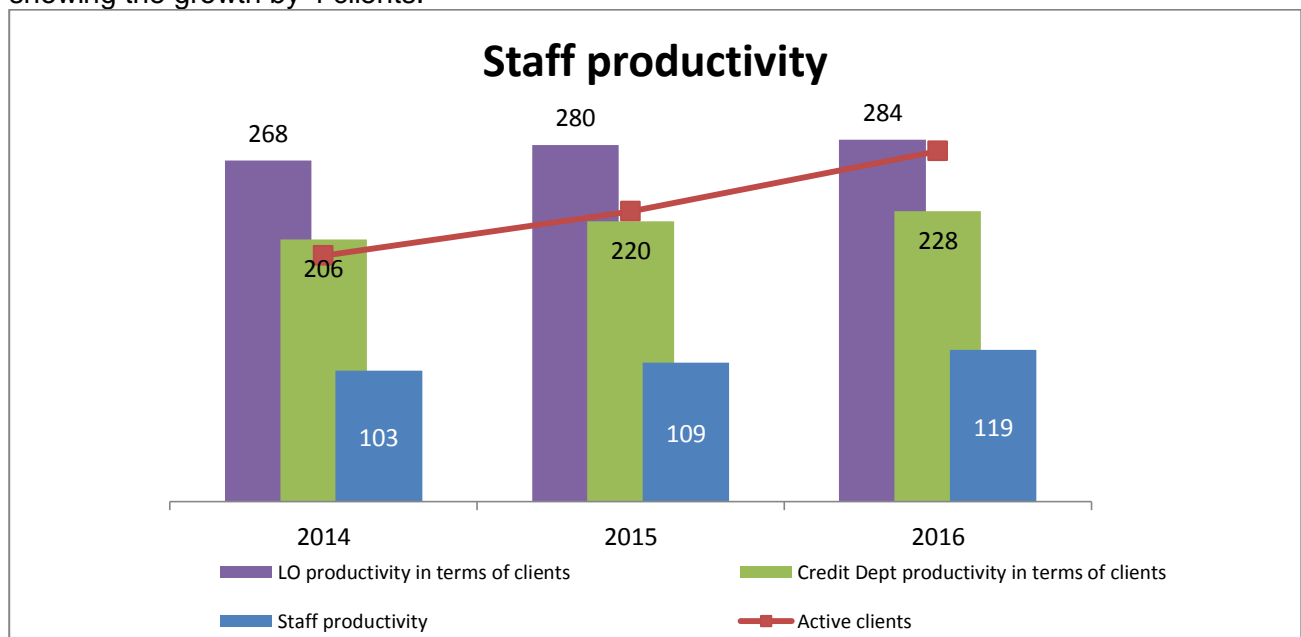


In 2016, there was a positive trend of PAR decline due to organization of high-quality disbursements of micro-loans and fewer micro-loans in arrears. Taking into account the growth of the loan portfolio by 48% in 2016, the portfolio at risk at the level of 1.8% is in compliance with the basic indicator.

Another indicator of the loan portfolio quality is the ratio of the amount of write-offs to the recovery of previously written-off loans. In 2016, KMF wrote off KZT 20 million non-performing loans, which is by KZT 97 million less than the amount of loans written off in 2015. The total amount of write-offs during 2016 was 0.04% of the gross loan portfolio or KZT 20 million.

Loan officers' productivity

In 2016, staff productivity increased by 9% and reached the level of 119 active clients per Company's employee. By the end of the year the loan officers' productivity was 284 clients per loan officer, showing the growth by 4 clients.



Growth of credit unit staff productivity was promoted by increased usage of tablet solution of the "Mobile Application" program that has allowed increasing document flow speed on credit activities and reducing terms of loan application processing. The ratio of branch staff productivity and credit unit's productivity with active client base growth also showed the increase of staff performance. The number of active clients increased by 21% for the last year, and the staff of loan officers increased by 16% as compared to the beginning of the reporting period.

Fixed assets

As of 31 December 2016, net book value of KMF's fixed assets and intangible assets was KZT 3,082 million. Growth of the residual book value for the reporting year was KZT 1,191 million, or 63%. This happened due to the acquisition of new offices in Kyzylorda and Taraz, major repairs in current offices, renovation of fixed assets.

Following the results of 2016, the share of net fixed assets was 5%. KMF's investments in its own property do not exceed 10% of the total value of Company's assets proving the rational use of its own funds and borrowings. The residual value of fixed assets as of 31 December 2016 presented in the table below.

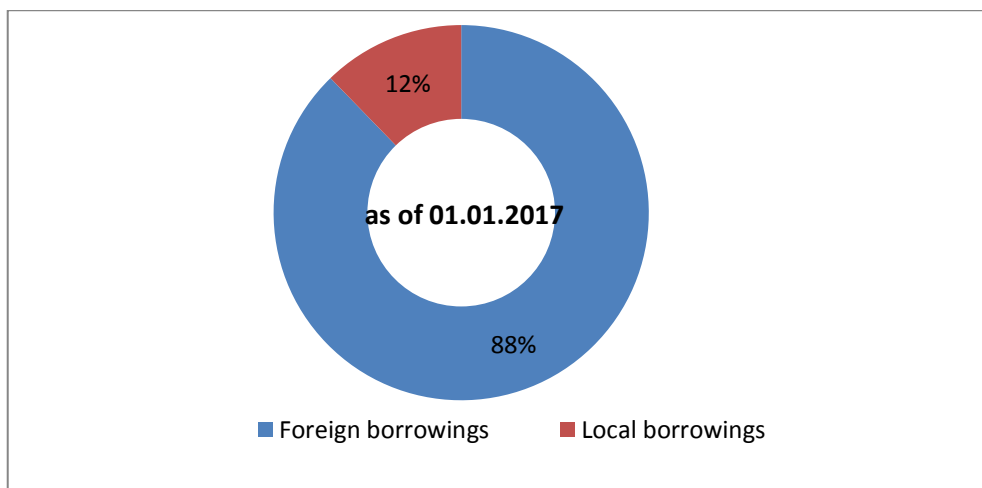
Fixed assets (KZT thous)	2016	2015	2014	2016-2015, % of changes	2015-2014, % of changes
Land and buildings	1,952,230	999,034	900,056	95%	11%
Hardware	397,964	294,855	171,549	35%	72%
Office furniture and equipment	394,461	313,810	249,664	26%	26%
Intangible assets	176,812	104,926	120,061	69%	-13%
Vehicles	160,072	176,826	181,950	-9%	-3%
Construction in progress	127	1,003	-	-87%	0%
Total	3,081,666	1,890,453	1,623,280	63%	16%

Other assets

Other assets include current tax asset, balance of inventories, and prepaid advances to suppliers.

Liabilities

The Company's liabilities include borrowings and other liabilities. Borrowings comprise 79% of all liabilities and following the results of 2016 they increased by KZT 12.1 billion or by 34%. Growth of liabilities was due to the increase in the amount of borrowings by KZT 11.5 billion or 34%. At the end of 2016, the aggregate amount of KMF liabilities was KZT 47,039 million.



The Company has the extensive list of funding sources represented both by international financial institutions and local commercial banks. The major share of all borrowings (more than 88%) in the reporting period was raised from international financial institutions from Western Europe and the United States. The average tenor of loans is up to three years.

In 2016, new borrowings were raised in local currency (KZT). Therefore, the share of USD loans in the structure of borrowing by currencies decreased by 18%, and by the end of the year the share of USD loans was 21%. The share of KZT loans was 79% of the total borrowings. The volume of loans under back-to-back transactions significantly decreased, and at the end of 2016, the share of such loans in the structure of attracted loans was 6%.

During the reporting period, there was a slight deterioration in the efficiency of financial expenses, which was at the level of 16% as of December 2016. Following the results of the last reporting year, this indicator was equal to 14%. This indicator deteriorated due to the significant increase in the interest rates on loans raised in 2016.

Equity

Following the results of 2016, equity grew by 19%, or KZT 1.7 bln. Growth of equity was due to the increase in the Company's charter capital by KZT1, 258 million (by 17%) by means of capitalization of dividends for 2015 and growth of retained earnings by 23% or KZT 399 million. In 2016, retained earnings amounted to KZT 2,100 million.

Following the results of 2016, capital adequacy ratio was at the level of 18.8%, which is much higher than the minimum level set by the National Bank of the Republic of Kazakhstan.

The table below shows the results that are in compliance with the prudential ratios of the National Bank of Kazakhstan.

#	Indicator	Prudential ratio	as of 01.01.2017
1	Paid-in charter capital	\geq KZT 30 mln.	8,461,187
2	Calculated equity	\geq KZT 30 mln.	10,907,810
3	Equity adequacy ratio	$k1 \geq 0.1$	0.188
4	Maximum exposure ratio per one borrower	$k2 \leq 0.25$	0.001
5	Total liabilities maximum limit ratio	$k3 \leq 10$	3.723

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

(In thousands of Tenge)

	Notes	31 December 2016	31 December 2015
Assets			
Cash and cash equivalents	5	3,285,266	4,380,492
Financial instruments at fair value through profit or loss	6	–	2,984,600
Amounts due from credit institutions		14,766	12,095
Loans to customers	7	51,342,886	34,644,759
Current corporate income tax assets	12	–	116,423
Property and equipment	8	2,904,854	1,785,527
Intangible assets	9	176,812	104,926
Other assets	10	235,118	161,854
Total assets		57,959,702	44,190,676
Liabilities			
Amounts due to credit institutions	11	45,431,369	33,968,256
Financial instruments at fair value through profit or loss	6	286,730	–
Current corporate income tax liabilities	12	46,720	–
Deferred corporate income tax liabilities	12	10,525	102,801
Other liabilities	10	1,262,854	905,620
Total liabilities		47,038,198	34,976,677
Equity	13		
Charter capital		8,461,187	7,202,370
Reserve capital		360,119	310,402
Retained earnings		2,100,198	1,701,227
Total equity		10,921,504	9,213,999
Total equity and liabilities		57,959,702	44,190,676

Signed and authorised for release on behalf of the Management Board of the Company:

Zhussupov Sh.A.

Chairman of the Management Board

Yugay O.V.

Chief Accountant

3 March 2017



STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2016***(In thousands of Tenge)*

	<i>Notes</i>	<i>2016</i>	<i>2015</i>
Interest income			
Loans to customers		17,493,443	12,882,838
Cash and cash equivalents		108,835	100,965
		<u>17,602,278</u>	<u>12,983,803</u>
Interest expenses			
Amounts due to credit institutions		(5,447,495)	(3,542,023)
Subordinated loan		–	(30,992)
		<u>(5,447,495)</u>	<u>(3,573,015)</u>
Net interest income		<u>12,154,783</u>	<u>9,410,788</u>
Allowance for loan impairment	7	(261,209)	(376,923)
Net interest income after allowance for loan impairment		<u>11,893,574</u>	<u>9,033,865</u>
Net (loss)/gain from financial instruments at fair value through profit or loss	6	(1,970,379)	5,611,233
Net losses from transactions in foreign currencies		(39,564)	(6,453,126)
Other income		28,996	17,710
Personnel expenses	15	(5,083,985)	(4,197,482)
Other operating expenses	15	(2,168,090)	(1,840,080)
Profit before corporate income tax expense		<u>2,660,552</u>	<u>2,172,120</u>
Corporate income tax expense	12	(560,354)	(470,893)
Profit for the year		<u>2,100,198</u>	<u>1,701,227</u>
Other comprehensive income for the year		–	–
Total comprehensive income for the year		<u>2,100,198</u>	<u>1,701,227</u>

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)*

	<i>Charter capital</i>	<i>Reserve capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
31 December 2014	6,208,056	156,599	1,445,433	7,810,088
Comprehensive income for the year	—	—	1,701,227	1,701,227
Contribution to the charter capital (<i>Note 13</i>)	994,314	—	—	994,314
Dividends declared (<i>Note 13</i>)	—	—	(1,291,630)	(1,291,630)
Transfers to the reserve capital (<i>Note 13</i>)	—	153,803	(153,803)	—
31 December 2015	7,202,370	310,402	1,701,227	9,213,999
Comprehensive income for the year	—	—	2,100,198	2,100,198
Contribution to the charter capital (<i>Note 13</i>)	1,258,817	—	—	1,258,817
Dividends declared (<i>Note 13</i>)	—	—	(1,651,510)	(1,651,510)
Transfers to the reserve capital (<i>Note 13</i>)	—	49,717	(49,717)	—
31 December 2016	8,461,187	360,119	2,100,198	10,921,504

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

(In thousands of Tenge)

	Notes	2016	2015
Cash flows from operating activities			
Profit before corporate income tax expense		2,660,552	2,172,120
<i>Adjustments</i>			
Depreciation and amortisation	15	255,569	193,128
Accrued interest income		(17,602,278)	(12,983,803)
Accrued interest expense		5,447,495	3,573,015
Allowance for loan impairment	7	261,209	376,923
Loss on disposal of property and equipment and intangible assets		5,904	2,980
Unrealised loss/(gain) from financial instruments at fair value through profit or loss		286,730	(2,102,641)
Unrealised losses from transactions in foreign currencies		88,963	5,540,310
Accrued unused vacation reserve and other payroll accruals		47,864	42,405
<i>Net decrease/(increase) in operating assets</i>			
Amounts due from credit institutions		(2,671)	45,136
Loans to customers		(15,536,455)	(5,991,513)
Financial instruments at fair value through profit or loss		2,984,600	(388,100)
Other assets		(39,036)	(70,502)
<i>Net (decrease)/increase in operating liabilities</i>			
Other liabilities		(179,666)	248,157
Net cash used in operating activities before corporate income tax and interest received/paid		(21,321,220)	(9,342,385)
Interest received		16,160,665	11,962,596
Interest paid		(4,659,127)	(3,953,218)
Corporate income tax paid		(489,487)	(424,774)
Net cash used in operating activities		(10,309,169)	(1,757,781)
Cash flows from investing activities			
Purchase of property and equipment	8	(1,390,005)	(468,560)
Proceeds from sale of property and equipment		10,523	21,061
Purchase of intangible assets	9	(107,432)	(15,537)
Net cash used in investing activities		(1,486,914)	(463,036)
Cash flows from financing activities			
Contribution to the charter capital	13	–	994,314
Receipt of amounts from credit institutions		27,402,746	10,455,844
Repayment of amounts due to credit institutions		(16,015,359)	(7,415,242)
Repayment of subordinated loan		–	(558,600)
Dividends paid	13	(392,693)	(1,291,630)
Net cash received from financing activities		10,994,694	2,184,686
Effect of exchange rate changes on cash and cash equivalents		(293,837)	2,119,175
Net (decrease)/increase in cash and cash equivalents		(1,095,226)	2,083,044
Cash and cash equivalents, beginning		4,380,492	2,297,448
Cash and cash equivalents, ending	5	3,285,266	4,380,492
Significant non-cash transactions			
Contribution to the charter capital	13	1,258,817	–
Dividends declared	13	(1,258,817)	–

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