“Microfinance organization “KMF” Limited Liability Company

Financial statements

For the year ended 31 December 2015
together with independent auditor’s report

CONTENT

INDEPENDENT AUDITOR'S REPORT

Statement of financial position 1
Statement of comprehensive income 2
Statement of changes in equity 3
Statement of cash flows 4

NOTES TO THE FINANCIAL STATEMENTS

Table of Contents

1. Principal activities 5
2. Basis of preparation 5
3. Summary of significant accounting policies 6
4. Significant accounting judgements and estimates 16
5. Cash and cash equivalents 17
6. Financial instruments at fair value through profit or loss 17
7. Loans to customers 18
8. Property and equipment 22
9. Intangible assets 23
10. Other assets and liabilities 23
11. Amounts due to credit institutions 24
12. Subordinated loan 24
13. Taxation 24
14. Equity 25
15. Commitments and contingencies 26
16. Personnel and other operating expenses 27
17. Risk management 28
18. Fair value measurements 36
19. Maturity analysis of assets and liabilities 38
20. Related party transactions 38
21. Capital adequacy 40

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Independent auditor's report

To Participants and Supervisory Board of
"Microfinance organization "KMF" Limited Liability Company

We have audited the accompanying financial statements of "Microfinance organization "KMF" Limited Liability Company (hereinafter – the "Company"), which comprise the statement of financial position as at 31 December 2015, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the fairness of these financial statements based on our audit.

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

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

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of "Microfinance organization "KMF" Limited Liability Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Evgeny Zhemaletdinov
Auditor / 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

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

14 March 2016

STATEMENT OF FINANCIAL POSITION

As of 31 December 2015

(Thousands of Tenge)

	Notes	*31 December 2015*	*31 December 2014*
Assets			
Cash and cash equivalents	5	**4,380,492**	2,297,448
Financial instruments at fair value through profit or loss	6	**2,984,600**	493,859
Amounts due from credit institutions		**12,095**	57,231
Loans to customers	7	**34,644,759**	28,008,962
Current corporate income tax assets	13	**116,423**	67,405
Property and equipment	8	**1,785,527**	1,503,219
Intangible assets	9	**104,926**	120,306
Other assets	10	**161,854**	91,352
Total assets		**44,190,676**	32,639,782
Liabilities			
Amounts due to credit institutions	11	**33,968,256**	23,630,431
Subordinated loan	12	**–**	576,541
Deferred corporate income tax liabilities	13	**102,801**	7,664
Other liabilities	10	**905,620**	615,058
Total liabilities		**34,976,677**	24,829,694
Equity	14		
Charter capital		**7,202,370**	6,208,056
Reserve capital		**310,402**	156,599
Retained earnings		**1,701,227**	1,445,433
Total equity		**9,213,999**	7,810,088
Total equity and liabilities		**44,190,676**	32,639,782

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

14 March 2016

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Thousands of Tenge)

	Notes	*2015*	*2014*
Interest income			
Loans to customers		**12,882,838**	9,865,677
Cash and cash equivalents		**100,965**	21,719
		12,983,803	9,887,396
Interest expenses			
Amounts due to credit institutions		**(3,542,023)**	(2,616,406)
Subordinated loan		**(30,992)**	(62,425)
		(3,573,015)	(2,678,831)
Net interest income		**9,410,788**	7,208,565
Allowance for loan impairment	7	**(376,923)**	(54,394)
Net interest income after allowance for loan impairment		**9,033,865**	7,154,171
Net gains from financial instruments at fair value through profit or loss	6	**5,611,233**	345,503
Net losses from foreign currencies		**(6,453,126)**	(681,208)
Other income		**17,710**	10,032
Personnel expenses	16	**(4,197,482)**	(3,501,020)
Other operating expenses	16	**(1,840,080)**	(1,503,229)
Profit before corporate income tax expense		**2,172,120**	1,824,249
Corporate income tax expense	13	**(470,893)**	(378,816)
Profit for the year		**1,701,227**	1,445,433
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**1,701,227**	1,445,433

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(Thousands of Tenge)

	Charter capital	*Reserve capital*	*Retained earnings*	*Total equity*
31 December 2013	3,131,997	124,644	707,165	3,963,806
Comprehensive income for the year	–	–	1,445,433	1,445,433
Contribution to the charter capital	3,076,059	–	–	3,076,059
Dividends declared *(Note 14)*	–	–	(675,210)	(675,210)
Transfers to the reserve capital (*Note 14*)	–	31,955	(31,955)	–
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 *(Note 14)*	**994,314**	**–**	**–**	**994,314**
Dividends declared *(Note 14)*	**–**	**–**	**(1,291,630)**	**(1,291,630)**
Transfers to the reserve capital (*Note 14*)	**–**	**153,803**	**(153,803)**	**–**
31 December 2015	**7,202,370**	**310,402**	**1,701,227**	**9,213,999**

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

(Thousands of Tenge)

	Notes	*2015*	*2014*
Cash flows from operating activities			
Profit before corporate income tax expense		**2,172,120**	1,824,249
Adjustments:			
Depreciation and amortisation	16	**193,128**	149,192
Accrued interest income		**(12,983,803)**	(9,887,396)
Accrued interest expense		**3,573,015**	2,678,831
Impairment charge on loans to customers	7	**376,923**	54,394
Unrealised gains from financial instruments at fair value through profit or loss		**(2,102,641)**	(24,945)
Unrealised losses from foreign currencies		**5,540,310**	451,734
Accrued vacation reserve and other payroll accruals		**397,036**	354,631
Net decrease/(increase) in operating assets:			
Amounts due from credit institutions		**45,136**	(12,265)
Loans to customers		**(5,991,513)**	(10,005,945)
Financial instruments at fair value through profit or loss		**(388,100)**	(373,196)
Other assets		**(67,523)**	41,422
Net (decrease)/increase in operating liabilities:			
Other liabilities		**(106,474)**	24,947
Net cash used in operating activities before corporate income tax		**(9,342,386)**	(14,724,347)
Interest received		**11,962,596**	9,871,750
Interest paid		**(3,953,218)**	(2,492,003)
Corporate income tax paid		**(424,774)**	(382,302)
Net cash used in operating activities		**(1,757,782)**	(7,726,902)
Cash flows from investing activities			
Purchase of property and equipment	8	**(468,560)**	(580,936)
Proceeds from sale of property and equipment		**21,061**	23,362
Purchase of intangible assets	9	**(15,537)**	(40,612)
Net cash used in investing activities		**(463,036)**	(598,186)
Cash flows from financing activities			
Contribution to the charter capital	14	**994,314**	3,076,059
Proceeds from amounts due to credit institutions		**10,455,844**	13,603,191
Proceeds from subordinated loan		**–**	547,050
Repayment of amounts due to credit institutions		**(7,415,242)**	(6,244,318)
Repayment of subordinated loan		**(558,600)**	–
Dividends paid to the Participants of the Company	14	**(1,291,630)**	(675,210)
Net cash flow from financing activities		**2,184,686**	10,306,772
Effect of exchange rate changes on cash and cash equivalents		**2,119,176**	35,751
Net (decrease)/increase in cash and cash equivalents		**(36,132)**	1,981,684
Cash and cash equivalents, beginning		**2,297,448**	280,013
Cash and cash equivalents, ending	5	**4,380,492**	2,297,448

The accompanying notes on pages 5 to 40 are an integral part of these financial statements.

1. Principal activities

"Microfinance organization "KMF" Limited Liability Company (hereinafter – the "Company") was established in 2006 in accordance with legislation of the Republic of Kazakhstan as "Microcredit organisation "KazMicroFinance" Limited Liability Company.

In connection with the introduction of the Law of the Republic of Kazakhstan "On Microfinance Organisations" dated 26 November 2012, on 5 January 2015 the Company was officially re-registered in the Ministry of Justice of the Republic of Kazakhstan as a regulated microfinance organisation "Microfinance organization "KMF" Limited Liability Company. The Company's activities are supervised and regulated by the National Bank of Kazakhstan (hereinafter – the "NBRK") by record registration in the authorised body and compliance with prudential regulations.

The Company's principal activity is granting micro loans to customers. As at 31 December 2015, the Company has 18 branches and 84 outlets throughout Kazakhstan (31 December 2014: 17 branches and 75 outlets). Outlets are located in the following cities: Almaty, Astana, Karaganda, Kokshetau, Kyzylorda, Pavlodar, Semey, Shymkent, Taldykorgan, Taraz, Turkestan, Ust-Kamenogorsk, Kostanay, Aktobe, Uralsk and Petropavlovsk. The Company's activities are carried out in the Republic of Kazakhstan.

Legal address of the Company's head office is: 39 Beregovaya Str., 050051, Almaty, the Republic of Kazakhstan.

As at 31 December 2015 and 2014, the Company's charter capital belonged to the following participants:

	Ownership in %	
Name	***31 December 2015***	***31 December 2014***
Corporate Fund KMF-Demeu	**62.551**	62.551
ResponsAbility Management Company S.A.	**10.275**	10.275
Management and employees of the Company	**10.049**	10.049
Triodos Custody B.V.	**6.850**	6.850
Triodos SICAV II	**6.850**	6.850
ResponsAbility SICAV (Lux)	**3.425**	3.425
	100.000	100.000

The ultimate controlling entity of the Company is ACDI/VOCA, a non-profit entity registered in the United States of America. ACDI/VOCA is the sole founder of Corporate Fund KMF-Demeu.

Kazakhstan business environment

The Company's activities are carried out in the Republic of Kazakhstan. Consequently, the Company is exposed to the economic and financial risks at the markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue its development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan. The financial statements reflect management's assessment of the impact of Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2. Basis of preparation

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

The financial statements are prepared under the historical cost convention except as disclosed in Summary of significant accounting policies, for instance, financial instruments at fair value through profit or loss.

The financial statements are presented in thousands of Kazakh Tenge (hereinafter – "KZT" or "Tenge"), unless otherwise indicated.

3. Summary of significant accounting policies

Changes in accounting policies

The Company applied the following IFRS amendments, which are effective for annual periods beginning on or after 1 January 2015:

Amendments to IAS 19 Defined benefit plans: Employee contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where such contributions are linked to service, they must be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise them as a reduction in the service cost in the period in which the service is rendered, instead of allocating these contributions to the periods of service. These amendments are not relevant to the Company, since the Company does not have defined benefit plans with contributions from employees or third parties.

Annual IFRS improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and applied by the Company in these financial statements for the first time. They include:

IFRS 2 Share-based Payment

The amendment is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment had no impact on the Company's accounting policies.

IFRS 3 Business combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). Such an approach is consistent with the Company's accounting policies and for this reason this amendment has no impact on its accounting policies.

IFRS 8 Operating Segments

Amendments are applied on a retrospective basis and clarify that:

- an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Company has not applied the aggregation criteria in IFRS 8.12.

IFRS 13 Fair Value Measurement

This amendment to IFRS 13 clarifies in the "*Basis for Conclusions"* that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. Such an approach is not consistent with the Company's accounting policies and for this reason this amendment has no impact on its accounting policies.

3. Summary of accounting policies (continued)

Annual Improvements 2010-2012 Cycle (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments are applied retrospectively and clarify provisions of IAS 16 and IAS 38 stating that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The amendment had no impact on the Company's accounting policies.

IAS 24 Related party disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment has no impact on the Company since it does not receive any management services from other entities.

Annual IFRS improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and applied by the Company in these financial statements for the first time. They include:

IFRS 3 Business combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Company is not a joint arrangement, accordingly, this amendment has no impact on its accounting policies.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. In previous periods, the Company has applied IFRS 3, not IAS 40, in determining whether the transaction constitutes an asset acquisition or a business combination. Thus, this amendment does not impact the accounting policy of the Company.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Meaning of effective IFRSs

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the Company is an existing IFRS preparer.

Fair value measurement

The Company evaluates such financial instruments as derivatives at fair value at each reporting date. Fair values of financial instruments measured at amortised cost are disclosed in *Note 18*.

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.

3. Summary of accounting policies (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible to the entity. 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 Company 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 e of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 Company 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 instruments

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 Company determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company 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.

Financial assets at fair value through profit or loss

Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

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 cash equivalents

Cash and cash equivalents include cash, current accounts of the Company in the commercial banks, and highly liquid financial assets with original maturities of less than 3 months, which are not exposed to significant risk of changes in fair value and are used by the Company to settle short-term liabilities. Cash and cash equivalents are recorded at amortised cost in the statement of financial position.

3. Summary of accounting policies (continued)

Derivative financial instruments

In the normal course of business, the Company enters into various derivative financial instruments, including forwards and swaps in foreign exchange markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of comprehensive income within net gains or losses from financial instruments at fair value through profit and loss.

Leases

Operating – Company 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 operating 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 Company 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 Company 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 Company recognises the deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognised.

Offsetting of financial instruments

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. An offsetting right must not be contingent on a future event and must have a legal force in all of the following circumstances:

- in the normal course of business;
- in the event of default; and
- in the event of insolvency or bankruptcy of an entity or any counterparty.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Impairment of financial assets

The Company 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.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Company 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 it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment 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 assets' carrying 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 the 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 and relevant provision are written-off in case they are not likely to be recovered. 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 comprehensive income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system that considers credit risk characteristics such as asset type, geographical location, 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 group 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.

Restructuring of loans

The Company restructures loans when a borrower does not follow an approved repayment schedule due to objective changes in circumstances. In this case the Company considers that a borrower is able to repay a loan in full amount in case of changes of a repayment schedule.

The accounting treatment of such restructuring is as follows:

- If the loan restructuring is not caused by the financial difficulties of the borrower the Company uses the same approach as for financial liabilities described below;
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Company recognises the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case loan is not impaired after restructuring the Company recalculates the effective interest rate.

Once the terms have been renegotiated, the loan is no longer considered past due. Management of the Company continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to collective impairment assessment, calculated using the loan's original or current effective interest rate.

3. Summary of accounting policies (continued)

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 from the statement of financial position where:

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 Company's 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 Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value. In this case the extent of the Company's continuing involvement is limited to the lower of: the fair value of the transferred asset and the option exercise price.

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 profit or loss.

Taxation

The current corporate income tax expense is calculated in accordance with the tax legislation of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred corporate 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 corporate 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.

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.

Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes are recorded within other operating expenses in the statement of comprehensive income.

Property and equipment

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value 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:

3. Summary of accounting policies (continued)

Property and equipment (continued)

	Years
Buildings	40
Computer hardware	2-7
Vehicles	5-7
Office furniture and equipment	5-25

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 operating expenses, unless they qualify for capitalisation.

Intangible assets

Intangible assets include software and are initially measured at cost. 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 from 5 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Provisions

Provisions are recognised when the Company 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 Company 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. These expenses are charged in the period the related salaries are earned. In addition, the Company has no post-retirement benefits or significant other compensated benefits requiring accrual.

Charter capital

Charter capital

Authorised capital is classified as equity. Incremental costs directly attributable to the issue of additional charter capital are recognised as a deduction from equity, net of any tax effects.

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

Contingent assets and liabilities

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.

Income and expense recognition

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

3. Summary of accounting policies (continued)

Income and expense recognition (continued)

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as trading, 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 Company 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 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.

Other fees and commissions that are not an integral part of the overall profitability of loans, as well as other income and expenses are recognised as at the date of rendering of the corresponding service.

Foreign currency translation

The financial statements are presented in Kazakhstan Tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the official exchange rate established by NBRK ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of comprehensive income as "net gains/(losses) from foreign currencies". 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. Differences between the contractual exchange rate of a transaction in a foreign currency and the official exchange rate on the date of the transaction are included in net gains or losses from dealing in foreign currencies.

On 20 August 2015, the Government of the Republic of Kazakhstan implemented a new credit and monetary policy based on inflation targeting with the cancellation of the exchange rate band and the transition to a free floating exchange rate of Tenge. This resulted in significant depreciation of Tenge in relation to US Dollar and other leading world currencies.

The official exchange rate established by the NBRK as at 31 December 2015 and 2014 was KZT 339.47 and KZT 182.35 to US Dollar 1, respectively. The currency exchange rate as at 14 March 2016 was 343.92 Tenge to US Dollar 1.

Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards 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* as well as all previous version of IFRS 9. The standard introduces new requirements to classification and measurement, impairment and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Early application is permitted. The standard is applied retrospectively but provision of comparative information is not mandatory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. Application of IFRS 9 will have an impact on classification and measurement of the Company's financial assets and will not have an impact on classification and measurement of its financial liabilities. The Company expects that IFRS 9 requirements to impairment will have a significant impact on its equity. The Company will need a more detailed analysis comprising all reasonable and acceptable information, including but not limited to prospective data, in order to measure the extent of such impact.

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 published in May 2014 establishes a new five-step model of accounting for revenue from contracts with customers. Recognition of revenue arising from lease contracts within the scope of IAS 17 *Leases* and insurance contracts within the scope of IFRS 4 *Insurance Contracts* and revenue arising in connection with financial instruments and other contractual rights and obligations within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 Financial Instruments, if early adopted) is not within the scope of application of IFRS 15 and regulated by the respective standards.

Under IFRS 15 revenue is recognised at the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS. This standard is applied retrospectively either in full or using the simplifications of practical nature for annual periods beginning on or after 1 January 2018. Early application is permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to tariff regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral account balances as separate line items on the statement of financial position and present movements in these account balances as separate line items in the income statement and statement of other comprehensive income. The standard requires disclosures on the nature of activities of the entity subject to tariff regulation, associated risks and the effects of that tariff regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The standard has no impact on the Company, since the Company is an existing IFRS preparer.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify one of the principles in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Early application is permitted. These amendments are not expected to have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The Company currently considers whether to apply these amendments for preparation of its separate financial statements. These amendments will not have any impact on financial statements of the Company.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture as a contribution to equity. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The amendments must be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Early application is permitted.

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 1 Disclosure Initiative

Amendments to IAS 1 *Presentation of financial statements* clarify, rather than significantly change, the existing requirements of IAS 1. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement of comprehensive income 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 other comprehensive income 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 other comprehensive income. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its profit in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. These amendments are not expected to have any impact on the Company.

Annual IFRS improvements 2012-2014 Cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Company. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be 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. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016. Early application is permitted.

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. 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 arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to 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.

3. Summary of accounting policies (continued)

Annual IFRS improvements 2012-2014 Cycle (continued)

IFRS 7 Financial Instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that "An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. However, the interim disclosure standard, IAS 34, does not reflect this requirement. As a result, it is not clear whether the respective information should be disclosed in the condensed interim financial statements.

The amendment removes the phrase 'and interim periods within those annual periods', clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. This amendment must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

IAS 19 Employee Benefits – discounting rate for regional market

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency, in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in the respective currency, government bond rates must be used. The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. This amendment must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

4. Significant accounting judgements and estimates

In the process of applying the Company's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Fair values of financial instruments

Where the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Allowance for impairment of loans

The Company regularly reviews its loans and receivables to assess impairment. The Company 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 Company 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 Company uses its subjective judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

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. Implementing regulations are often unclear or non-existent and only an insignificant number of precedents have 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)

(Thousands of Tenge, unless otherwise indicated)

4. Significant accounting judgements and estimates (continued)

Taxation (continued)

are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits.

These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

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

5. Cash and cash equivalents

	2015	*2014*
Cash on hand	**88,706**	52,784
Cash in transit	**12,625**	2,495
Current accounts with banks		
- rated from BB+ to BB-	**1,438,238**	26,547
- rated from B+ and lower	**2,021,840**	92,924
- not rated	**16,140**	22,970
Total current accounts with banks	**3,476,218**	142,441
Term deposits with banks		
- rated B+	**445,814**	2,099,728
- rated B	**357,129**	–
Total term deposits with banks	**802,943**	2,099,728
Cash and cash equivalents	**4,380,492**	2,297,448

The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies.

As at 31 December 2015 and 2014 cash equivalents are neither past due nor impaired.

As at 31 December 2015 the Company had a bank account with the balance exceeding 10% of the capital (31 December 2014: one bank account). The total aggregate account balance with the above counterparty as at 31 December 2015 amounted to KZT 1,350,115 thousand (31 December 2014: KZT 1,617,444 thousand).

6. Financial instruments at fair value through profit or loss

The Company enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	2015			*2014*		
		Fair values			*Fair values*	
	Notional amount	*Asset*	*Liability*	*Notional amount*	*Asset*	*Liability*
Foreign exchange agreements						
Cross currency swaps	**12,579,991**	**2,499,203**	**–**	5,459,800	493,859	–
Forwards	**843,500**	**485,397**	**–**	–	–	–
	13,423,491	**2,984,600**	**–**	5,459,800	493,859	–

Cross currency swaps

Cross currency swaps are contractual agreements between two parties to exchange notional principal and interest amounts in two currencies at specified future payment dates and fixed exchange rates.

As at 31 December 2015, the Company had KZT denominated loans in the amount of KZT 10,229,404 thousand (31 December 2014: KZT 4,965,941 thousand) received from local banks and security deposits denominated in US Dollars in the amount of KZT 12,579,991 thousand (USD 37,058 thousand) (31 December 2014: KZT 5,459,800 thousand (USD 29,941 thousand)), which serve as security against these loans.

(Thousands of Tenge, unless otherwise indicated)

6. Financial instruments at fair value through profit or loss (continued)

Cross currency swaps (continued)

Since the contractual effect of these loans and deposits is equivalent to a cross currency swap, the said transactions have been treated as a derivative financial instrument.

Forwards

Forwards contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

As at 31 December 2015 the Company had a forward agreement to purchase USD 3,500 thousand with a settlement date of 29 April 2016 (31 December 2014: nil).

Below is a table of credit ratings of the entities acting as counterparties in the derivative financial instruments disclosed above. The credit ratings are presented by reference to the credit ratings of Standard & Poor's credit rating agency or analogues of similar international agencies.

	2015	*2014*
Derivative financial instruments		
- rated B+ or higher	**2,984,600**	399,415
- rated below B+	**–**	94,444
	2,984,600	493,859

Net gains from financial instruments at fair value through profit or loss in the statement of comprehensive income in 2015 include income from changes in fair value of cross currency swaps in the amount of KZT 5,125,836 thousand (2014: KZT 345,503 thousand) and forwards in the amount of KZT 485,397 thousand (2014: nil).

7. Loans to customers

Loans to customers comprise:

	2015	*2014*
Trade loans	**19,290,755**	16,233,132
Agricultural loans	**9,979,624**	6,732,619
Consumer loans	**5,845,379**	5,227,264
Gross loans to customers	**35,115,758**	28,193,015
Less: allowance for impairment	**(470,999)**	(184,053)
Loans to customers	**34,644,759**	28,008,962

As at 31 December 2015 and 2014 loans to customers mainly comprise loans issued to individuals.

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	Trade loans	*Agricultural loans*	*Consumer loans*	*Total*
At 1 January 2015	**148,991**	**21,212**	**13,850**	**184,053**
Net impairment charge for the year	**298,360**	**53,500**	**25,063**	**376,923**
Amounts written off for the year	**(107,547)**	**(13,972)**	**(11,472)**	**(132,991)**
Recoveries for the year	**31,149**	**8,039**	**3,826**	**43,014**
At 31 December 2015	**370,953**	**68,779**	**31,267**	**470,999**

	Trade loans	*Agricultural loans*	*Consumer loans*	*Total*
At 1 January 2014	96,815	15,896	7,354	120,065
Net accrual/(reversal of impairment) for the year	54,627	(3,781)	3,548	54,394
Amounts written off for the year	(43,534)	(3,178)	(2,157)	(48,869)
Recoveries for the year	41,083	12,275	5,105	58,463
At 31 December 2014	148,991	21,212	13,850	184,053

(Thousands of Tenge, unless otherwise indicated)

7. Loans to customers (continued)

Quality of loans to customers

Below is information on quality of loans in the loan portfolio:

2015	*Loans before allowance for impairment*	*Allowance for impairment*	*Loans less allowance for impairment*	*Allowance for impairment to total loans before allowance for impairment, %*
Trade loans				
- current	**18,731,218**	**(43,323)**	**18,687,895**	**0.2%**
- overdue for less than 30 days	**48,881**	**(6,741)**	**42,140**	**13.8%**
- overdue for 30 days to 89 days	**76,685**	**(18,630)**	**58,055**	**24.3%**
- overdue for 90 days to 179 days	**121,748**	**(66,676)**	**55,072**	**54.8%**
- overdue for more than 180 days	**312,223**	**(235,583)**	**76,640**	**75.5%**
Total trade loans	**19,290,755**	**(370,953)**	**18,919,802**	**1.9%**
Agricultural loans				
- current	**9,827,334**	**(3,199)**	**9,824,135**	**0.1%**
- overdue for less than 30 days	**16,617**	**(1,551)**	**15,066**	**9.3%**
- overdue for 30 days to 89 days	**36,558**	**(4,909)**	**31,649**	**13.4%**
- overdue for 90 days to 179 days	**32,009**	**(13,999)**	**18,010**	**43.7%**
- overdue for more than 180 days	**67,106**	**(45,121)**	**21,985**	**67.2%**
Total agricultural loans	**9,979,624**	**(68,779)**	**9,910,845**	**0.7%**
Consumer loans				
- current	**5,769,484**	**(1,450)**	**5,768,034**	**0.1%**
- overdue for less than 30 days	**12,363**	**(512)**	**11,851**	**4.1%**
- overdue for 30 days to 89 days	**10,722**	**(1,154)**	**9,568**	**10.8%**
- overdue for 90 days to 179 days	**14,952**	**(5,207)**	**9,745**	**34.8%**
- overdue for more than 180 days	**37,858**	**(22,944)**	**14,914**	**60.6%**
Total consumer loans	**5,845,379**	**(31,267)**	**5,814,112**	**0.5%**
Total loans to customers	**35,115,758**	**(470,999)**	**34,644,759**	**1.3%**

(Thousands of Tenge, unless otherwise indicated)

7. Loans to customers (continued)

Quality of loans to customers (continued)

2014	*Loans before allowance for impairment*	*Allowance for impairment*	*Loans less allowance for impairment*	*Allowance for impairment to total loans before allowance for impairment, %*
Trade loans				
- current	15,954,468	(8,303)	15,946,165	0.1%
- overdue for less than 30 days	35,273	(4,752)	30,521	13.5%
- overdue for 30 days to 89 days	45,446	(7,670)	37,776	16.9%
- overdue for 90 days to 179 days	38,504	(19,311)	19,193	50.2%
- overdue for more than 180 days	159,441	(108,955)	50,486	68.3%
Total trade loans	16,233,132	(148,991)	16,084,141	0.9%
Agricultural loans				
- current	6,690,259	(1,862)	6,688,397	0.1%
- overdue for less than 30 days	5,673	(223)	5,450	3.9%
- overdue for 30 days to 89 days	6,145	(1,089)	5,056	17.7%
- overdue for 90 days to 179 days	6,696	(2,633)	4,063	39.3%
- overdue for more than 180 days	23,846	(15,405)	8,441	64.6%
Total agricultural loans	6,732,619	(21,212)	6,711,407	0.3%
Consumer loans				
- current	5,180,291	(1,045)	5,179,246	0.1%
- overdue for less than 30 days	7,984	(146)	7,838	1.8%
- overdue for 30 days to 89 days	11,716	(951)	10,765	8.1%
- overdue for 90 days to 179 days	11,757	(3,226)	8,531	27.4%
- overdue for more than 180 days	15,516	(8,482)	7,034	54.7%
Total consumer loans	5,227,264	(13,850)	5,213,414	0.3%
Total loans to customers	28,193,015	(184,053)	28,008,962	0.7%

The Company estimates impairment allowance based on its historical loss experience by types of loans. In assessing loan impairment, the greater focus is placed on the presence of overdue payments of principal and interest, or difficulties in relation to cash flows of counterparties, or violation of the original terms of the contract. The significant assumptions used by management in determining the loan impairment allowance include loss migration ratio, which is a constant and can be estimated based on migration patterns of actual losses incurred since the inception of the Company.

Changes in these estimates could affect the allowance for loan impairment. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance for loans issued to customers as at 31 December 2015 would be by KZT 346,448 thousand lower or higher (2014: KZT 280,090 thousand).

(Thousands of Tenge, unless otherwise indicated)

7. Loans to customers (continued)

Analysis of collateral and other credit enhancements

The amount and type of collateral required 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 following tables comprise analysis of loans by collateral classes:

2015	*Trade loans*	*Agricultural loans*	*Consumer loans*	*Total loans to customers*	*Share in loan portfolio, %*
Personal guarantees	**8,985,359**	**7,081,588**	**3,683,725**	**19,750,672**	**57.0%**
Goods for sale	**3,723,088**	**1,654**	**–**	**3,724,742**	**10.8%**
Real estate	**3,008,495**	**361,209**	**277,342**	**3,647,046**	**10.5%**
Vehicles	**103,571**	**7,516**	**13,519**	**124,606**	**0.4%**
Other collateral	**1,450,071**	**1,518,323**	**213,846**	**3,182,240**	**9.1%**
Unsecured loans	**1,649,218**	**940,555**	**1,625,680**	**4,215,453**	**12.2%**
Total	**18,919,802**	**9,910,845**	**5,814,112**	**34,644,759**	**100.0%**

2014	*Trade loans*	*Agricultural loans*	*Consumer loans*	*Total loans to customers*	*Share in loan portfolio, %*
Personal guarantees	7,478,040	4,422,951	3,250,053	15,151,044	54.1%
No collateral	1,243,048	385,287	1,326,617	2,954,952	10.6%
Real estate	1,703,142	323,764	305,852	2,332,758	8.3%
Vehicles	78,228	7,066	8,796	94,090	0.3%
Other collateral	1,385,547	1,572,155	322,030	3,279,732	11.7%
Unsecured loans	4,196,136	184	66	4,196,386	15.0%
Total	16,084,141	6,711,407	5,213,414	28,008,962	100.0%

Recoverability of loans mainly depends on creditworthiness of the borrower rather than on collateral. The Company's policy provides for foreclosure by selling the collateral in exceptional cases. This is supported by previous experience of obtaining and selling the collateral in the event of the borrower's inability to meet its obligations to the Company when due. Thus, in many cases, the Company believes that the value of collateral should not be taken into account when assessing the impairment, and comes from the fact that the collateral has zero financial impact on credit risk mitigation.

The amounts reflected in the table above represent the carrying value of loans, and do not necessarily represent the fair value of collateral. Personal guarantees are the main collateral securing group loans for which borrowers are jointly and severally liable. They were not taken into account when evaluating impairment allowance.

As of 31 December 2015, for loans with a net carrying amount of KZT 3,647,046 thousand (31 December 2014: KZT 2,332,758 thousand), secured by real estate, the fair value of collateral was estimated at the date of issuance of loans and was not adjusted for subsequent changes that have taken place before the reporting date. According to the policy of the Company the ratio between the amount of the loan secured by real estate and the value of collateral on the loan issue date is a maximum of 90%.

Concentration of loans to customers

As at 31 December 2015 and 2014, the Company has no borrowers or groups of interrelated borrowers whose loan balances exceed 10% of equity.

(Thousands of Tenge, unless otherwise indicated)

8. Property and equipment

The movements in property and equipment were as follows:

	Land and buildings	*Computer hardware*	*Vehicles*	*Office furniture and equipment*	*Construction-in-progress*	*Total*
Cost						
At 1 January 2014	600,865	189,770	194,821	312,070	33,950	1,331,476
Additions	316,224	97,985	83,863	60,914	21,950	580,936
Disposals	(2,650)	(10,146)	(48,026)	(4,576)	–	(65,398)
Transfers between categories	55,900	–	–	–	(55,900)	–
At 31 December 2014	970,339	277,609	230,658	368,408	–	1,847,014
Additions	**118,752**	**185,023**	**47,818**	**115,964**	**1,003**	**468,560**
Disposals	**(3,655)**	**(15,432)**	**(42,307)**	**(16,517)**	**–**	**(77,911)**
Transfers between categories	**(108)**	**8**	**–**	**100**	**–**	**–**
At 31 December 2015	**1,085,328**	**447,208**	**236,169**	**467,955**	**1,003**	**2,237,663**
Accumulated depreciation						
At 1 January 2014	(53,671)	(77,738)	(49,744)	(82,938)	–	(264,091)
Depreciation charge	(16,624)	(37,465)	(28,886)	(38,610)	–	(121,585)
Disposals	13	9,142	29,923	2,803	–	41,881
At 31 December 2014	(70,282)	(106,061)	(48,707)	(118,745)	–	(343,795)
Depreciation charge	**(19,667)**	**(60,224)**	**(33,733)**	**(49,025)**	**–**	**(162,649)**
Disposals	**3,655**	**13,932**	**23,097**	**13,624**	**–**	**54,308**
At 31 December 2015	**(86,294)**	**(152,353)**	**(59,343)**	**(154,146)**	**–**	**(452,136)**
Net book value						
At 31 December 2013	547,194	112,032	145,077	229,132	33,950	1,067,385
At 31 December 2014	900,057	171,548	181,951	249,663	–	1,503,219
At 31 December 2015	**999,034**	**294,855**	**176,826**	**313,809**	**1,003**	**1,785,527**

As at 31 December 2015, the cost of fully depreciated property and equipment in use by the Company amounted to KZT 5,890 thousand (31 December 2014: KZT 4,640 thousand).

(Thousands of Tenge, unless otherwise indicated)

9. Intangible assets

	Software
Cost	
At 1 January 2014	190,918
Additions	40,612
Disposals	(529)
At 31 December 2014	231,001
Additions	**15,537**
Disposals	**(476)**
At 31 December 2015	**246,062**
Accumulated amortisation	
At 1 January 2014	(83,618)
Amortisation charge	(27,607)
Disposals	530
At 31 December 2014	(110,695)
Amortisation charge	**(30,479)**
Disposals	**38**
At 31 December 2015	**(141,136)**
Net book value	
At 31 December 2013	107,300
At 31 December 2014	120,306
At 31 December 2015	**104,926**

10. Other assets and liabilities

Other assets comprise:

	2015	*2014*
Prepayments to suppliers	**111,562**	51,731
Inventories	**32,857**	24,447
Prepaid taxes and other prepayments to budget	**4,623**	5,678
Due from employees	**4,300**	6,190
Other	**8,512**	3,306
Other assets	**161,854**	91,352

Other liabilities comprise:

	2015	*2014*
Overpayments received on loans to customers	**295,601**	179,606
Payables to employees	**265,965**	275,694
Accrual for unused vacations	**157,366**	119,935
Taxes other than corporate income tax payable	**135,850**	4,500
Payables to suppliers	**42,144**	27,639
Other	**8,694**	7,684
Other liabilities	**905,620**	615,058

(Thousands of Tenge, unless otherwise indicated)

11. Amounts due to credit institutions

	2015	***2014***
Loans from financial institutions of OECD countries, other than banks	**30,323,785**	21,534,787
Loans from banks of OECD countries	**2,955,834**	1,727,261
Loans from financial institutions of non-OECD countries, other than banks,	**688,637**	368,383
Amounts due to credit institutions	**33,968,256**	23,630,431

As at 31 December 2015, the Company had borrowings from one bank and eight other financial institutions (31 December 2014: one bank and nine other financial institutions) to whom liabilities exceeded 10% of the Company's equity. The total aggregate balance of liabilities to the above counterparties as at 31 December 2015 amounted to KZT 31,911,648 thousand (31 December 2014: KZT 22,381,333 thousand).

Violation of covenants

As at 31 December 2015 and 2014 the Company complied with all requirements of agreements with credit institutions in respect of financial covenants.

12. Subordinated loan

In July 2015 the Company settled the total principal outstanding under the subordinated loan with a payment of USD 3 million.

13. Taxation

The corporate income tax expense comprises:

	2015	***2014***
Current corporate income tax charge	**375,756**	338,617
Deferred corporate income tax expenses – origination and reversal of temporary differences	**95,137**	40,199
Corporate income tax expense	**470,893**	378,816

The Republic of Kazakhstan was the only tax jurisdiction in which the Company's income is taxable. In accordance with tax legislation the applied corporate income tax rate is 20% in 2015 and 2014.

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

	2015	***2014***
Profit before tax	**2,172,120**	1,824,249
Statutory rate	**20%**	20%
Theoretical corporate income tax expense at the statutory rate	**434,424**	364,850
Non-deductible impairment charge	**26,167**	6,529
Other differences	**10,302**	7,437
Corporate income tax expense	**470,893**	378,816

As at 31 December 2015, current corporate income tax assets comprised KZT 116,423 thousand (31 December 2014: KZT 67,405 thousand).

Deferred tax assets and deferred tax liabilities

Temporary differences between the carrying amounts of assets and liabilities recorded in the financial statements and the amounts used for the purposes of calculation of taxable base, give rise to net deferred tax liability as of 31 December 2015 and 2014. The future tax benefits will only be received in the event that there are no changes in the legislation of Kazakhstan that would adversely affect the Company's ability to utilise the above benefits in future periods.

(Thousands of Tenge, unless otherwise indicated)

13. Taxation (continued)

Deferred tax assets and deferred tax liabilities (continued)

Change in the amount of temporary differences during 2015 and 2014 may be presented as follows:

	2013	*Origination and reversal of temporary differences in profit or loss*	*2014*	*Origination and reversal of temporary differences in profit or loss*	*2015*
Tax effect of deductible temporary differences					
Accrued interest expenses	60,209	(54,237)	5,972	**18,498**	**24,470**
Accrued expenses for unused vacations and bonuses	41,116	30,050	71,166	**8,241**	**79,407**
Other liabilities	2,230	2,701	4,931	**(2,530)**	**2,401**
Deferred corporate income tax assets	103,555	(21,486)	82,069	**24,209**	**106,278**
Tax effect of deductible temporary differences					
Property and equipment and intangible assets	(71,020)	(18,713)	(89,733)	**(22,267)**	**(112,000)**
Forward transactions	–	–	–	**(97,079)**	**(97,079)**
Deferred corporate income tax liabilities	(71,020)	(18,713)	(89,733)	**(119,346)**	**(209,079)**
Net deferred corporate income tax liabilities	32,535	(40,199)	(7,664)	**(95,137)**	**(102,801)**

14. Equity

Charter capital

As at 31 December 2014 the Company's paid and outstanding charter capital amounted to KZT 6,208,056 thousand. In accordance with the decisions taken by the General Meetings of Participants, held on 18 March 2014 and 26 November 2014, the charter capital of the Company was increased by KZT 607,689 thousand and KZT 2,468,370 thousand, respectively, and was fully paid in 2014.

As at 31 December 2015, the paid and outstanding charter capital of the Company amounted to KZT 7,202,370 thousand. In accordance with the decisions taken by the General Meetings of Participants, held on 30 March 2015 and 18 November 2015, the charter capital of the Company was increased by KZT 766,995 thousand and KZT 227,319 thousand, respectively, and was fully paid in 2015.

Dividends to participants

In accordance with Kazakhstan legislation, the Company's distributable funds are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS or the amount of profit for the year in case of accumulated loss. Distribution will not be performed if the amount of the Company's equity becomes negative as a result of the distribution, or entail the insolvency and bankruptcy of the Company.

In accordance with the requirements of Kazakhstan legislation, as of 31 December 2015 an increase in the funds available for distribution amounted to KZT 1,701,227 thousand (31 December 2014: KZT 1,445,433 thousand).

In accordance with the decision of the General Meeting of Participants, held on 30 March 2015, the Company declared and paid dividends for 2014 in the amount of KZT 1,291,630 thousand (2014: Dividends for 2013 in the amount of KZT 675,210 thousand).

(Thousands of Tenge, unless otherwise indicated)

14. Equity (continued)

Reserve capital

In accordance with the decision of the General Meeting of Participants, held on 30 July 2010, the Company established a reserve capital, the amount of which shall be not less than 5% of the charter capital at the reporting date by transferring the amount from retained earnings to the non-distributable reserve.

In accordance with the decision of the General Meeting of Participants held on 4 May 2012, the Company revised its policy regarding the reserve capital, which is formed during the year and should be at least 5% of the charter capital at the beginning of the reporting year.

In 2015, the Supervisory Board of the Company approved the transfer of KZT 153,803 thousand from retained earnings to reserve capital (2014: KZT 31,955 thousand).

15. Commitments and contingencies

Political and economic environment

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

In 2015, significant decline in crude oil prices and a significant KZT devaluation had a negative impact on the Kazakhstan economy. Combination of these factors resulted in a reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Insurance

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

Legal

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

Tax contingencies

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and profit related to reported and discovered violations of Kazakh laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Company believes that it has paid or accrued all taxes that are applicable. Where practice concerning tax application is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to recognise provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakh tax system, the ultimate amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued at 31 December 2015. Although such amounts are possible and may be material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both.

(Thousands of Tenge, unless otherwise indicated)

15. Commitments and contingencies (continued)

Commitments and contingencies

The Company has contingent liabilities to provide credit resources. These credit-related contingencies provide for issuance of credit resources in the form of approved credit facilities.

In providing credit related contingencies, the Company applies the same risk management policies and procedures used when issuing loans to customers.

The contractual amounts of credit related contingencies are set out in the below table by category. The amounts reflected in the table as credit related contingencies assume that the indicated contingencies will be fully settled.

	2015	*2014*
Credit related commitments		
Undrawn loan commitments	**231,666**	98,130
Operating lease commitments		
Not later than 1 year	**198,334**	76,873
1 to 5 years	**155,366**	98,824
Commitments and contingencies	**585,366**	273,827

Credit related contingencies may terminate without being partially or fully funded. As a result, commitments shows in the table above do not necessarily represent future cash outflows.

16. Personnel and other operating expenses

	2015	*2014*
Payroll, bonuses and related taxes	**(3,479,284)**	(2,919,753)
Other personnel expenses	**(718,198)**	(581,267)
Personnel expenses	**(4,197,482)**	(3,501,020)
Leases	**(406,430)**	(350,196)
Professional services	**(317,814)**	(238,739)
Depreciation and amortisation (*Note 8 and 9*)	**(193,128)**	(149,192)
Security	**(172,630)**	(149,328)
Office supplies	**(117,719)**	(98,402)
Communication and information services	**(103,110)**	(81,405)
Transportation	**(76,390)**	(76,097)
Advertising and marketing	**(73,696)**	(45,294)
Business trip expenses	**(69,170)**	(52,068)
Bank fees	**(64,482)**	(67,343)
Taxes other than income tax	**(60,237)**	(39,467)
Repair and maintenance	**(46,710)**	(33,220)
Encashment	**(45,099)**	(45,133)
Charity	**(35,926)**	(21,550)
Insurance	**(25,595)**	(17,282)
Training of personnel	**(15,213)**	(5,640)
Membership fees	**(5,705)**	(17,844)
Other	**(11,026)**	(15,029)
Other operating expenses	**(1,840,080)**	(1,503,229)

(Thousands of Tenge, unless otherwise indicated)

17. Risk management

Introduction

Risk management is inherent in the Company's activities and is an essential element of the Company's operations. Market risk, which includes interest rate risk and currency risk, credit risk and liquidity risk, form the major risks faced by the Company in the course of its activities. The Company's risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process.

Risk management structure

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

Supervisory Board

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

Risk Committee

The Risk Committee 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.

Audit Committee

The main purpose of the Audit Committee is to assist the effective implementation of control functions over the financial and economic activities of the Company by the Supervisory Board, evaluate the adequacy of the internal control system, and monitor the effectiveness of internal and external audit activities..

Management Board

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

Assets and Liabilities Management Committee (ALMC)

Assets and Liabilities Management Committee (ALMC) of the Company is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks.

Treasury

The Company's Treasury is responsible for managing the Company's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

Internal control (audit)

Risk management processes throughout the Company are audited annually by the internal audit function that examines both the adequacy of the procedures and the Company'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

Credit, market and liquidity risks are managed and controlled through a system of Credit Committees and the ALMC, both at the portfolio and individual transaction levels. For improving the efficiency of decision-making process, the Company has established a hierarchy of credit committees depending on the type and amount of risk exposure. Both external and internal risk factors are identified and managed throughout the organisational structure of the Company.

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

(Thousands of Tenge, unless otherwise indicated)

17. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems (continued)

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Risk mitigation

As part of its overall risk management, the Company uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies 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 Company's performance to developments affecting a particular industry or geographical location.

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

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 prices. Market risks comprise currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

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

The ALMC headed by the Chairman of the Management Board is responsible for market risk management.

Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rates. A summary of the interest gap for the main interest-bearing financial instruments is as follows:

(Thousands of Tenge, unless otherwise indicated)

17. Risk management (continued)

Market risk (continued)

Interest rate risk (continued)

Interest rate gap analysis (continued)

2015	*Less than 3 months*	*3 to 6 months*	*6 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Non-interest bearing*	*Carrying amount*
Assets							
Cash and cash equivalents	**802,943**	**–**	**–**	**–**	**–**	**3,577,549**	**4,380,492**
Financial instruments at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**2,984,600**	**2,984,600**
Amounts due from credit institutions	**–**	**–**	**–**	**–**	**–**	**12,095**	**12,095**
Loans to customers	**3,720,896**	**7,146,286**	**18,781,839**	**4,814,776**	**180,962**	**–**	**34,644,759**
	4,523,839	**7,146,286**	**18,781,839**	**4,814,776**	**180,962**	**6,574,244**	**42,021,946**
Liabilities							
Amounts due to credit institutions	**4,277,035**	**4,753,144**	**6,568,170**	**18,369,907**	**–**	**–**	**33,968,256**
Other financial liabilities	**–**	**–**	**–**	**–**	**–**	**42,144**	**42,144**
	4,277,035	**4,753,144**	**6,568,170**	**18,369,907**	**–**	**42,144**	**34,010,400**
	246,804	**2,393,142**	**12,213,669**	**(13,555,131)**	**180,962**	**6,532,100**	**8,011,546**

2014	*Less than 3 months*	*3 to 6 months*	*6 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Non-interest bearing*	*Carrying amount*
Assets							
Cash and cash equivalents	2,099,728	–	–	–	–	197,720	2,297,448
Financial instruments at fair value through profit or loss	–	–	–	–	–	493,859	493,859
Amounts due from credit institutions	–	–	–	–	–	57,231	57,231
Loans to customers	3,197,819	6,461,299	14,765,317	3,392,657	191,870	–	28,008,962
	5,297,547	6,461,299	14,765,317	3,392,657	191,870	748,810	30,857,500
Liabilities							
Amounts due to credit institutions	2,062,721	3,637,359	3,374,377	14,555,974	–	–	23,630,431
Subordinated loan	29,491	–	547,050	–	–	–	576,541
Other liabilities	–	–	–	–	–	27,639	27,639
	2,092,212	3,637,359	3,921,427	14,555,974	–	27,639	24,234,611
	3,205,335	2,823,940	10,843,890	(11,163,317)	191,870	721,171	6,622,889

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as of 31 December 2015 and 2014. These interest rates are an approximation of the yields to maturity of respective assets and liabilities.

(Thousands of Tenge, unless otherwise indicated)

17. Risk management (continued)

Market risk (continued)

Average effective interest rates (continued)

	2015		**2014**	
	Average effective interest rate, %		***Average effective interest rate, %***	
	Tenge	***USD***	***Tenge***	***US Dollars***
Interest-bearing assets				
Cash and cash equivalents	**6.3%**	**2.8%**	5.6%	2.8%
Loans to customers	**44.3%**	**–**	45.9%	–
Interest-bearing liabilities				
Amounts due to credit institutions:				
Loans from banks of OECD countries	**11.7%**	**–**	11.2%	–
Loans from financial institutions of OECD countries, other than banks	**14.8%**	**7.1%**	13.2%	7.4%
Loans from financial institutions of non-OECD countries, other than banks	**–**	**7.5%**	–	7.5%
Subordinated loan	**–**	**–**	–	9.7%

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of profit or loss before taxes and equity to changes in interest rates (interest rate risk), based on a simplified scenario of a 100 basis point symmetrical fall or rise in all positions of interest – bearing assets and liabilities existing as at 31 December 2015 and 2014, is as follows:

	2015		**2014**	
	Effect on profit before tax	***Effect on equity***	***Effect on profit before tax***	***Effect on equity***
100 basis point parallel increase	**68,109**	**68,109**	94,915	94,915
100 basis point parallel decrease	**(68,109)**	**(68,109)**	(94,915)	(94,915)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The amounts by foreign currencies are presented below:

2015	***US Dollars***	***Total***
Assets		
Cash and cash equivalents	**3,709,018**	**3,709,018**
Amounts due from credit institutions	**3,395**	**3,395**
Total assets	**3,712,413**	**3,712,413**
Liabilities		
Amounts due to credit institutions	**17,127,659**	**17,127,659**
Total liabilities	**17,127,659**	**17,127,659**
Net position	**(13,415,246)**	**(13,415,246)**
Impact of derivative financial instruments held for the purpose of risk management	**13,768,136**	**13,768,136**
Net position adjusted for impact of derivative financial instruments held for the purpose of risk management	**352,890**	**352,890**

(Thousands of Tenge, unless otherwise indicated)

17. Risk management (continued)

Market risk (continued)

Currency risk (continued)

2014	***US Dollars***	***Euro***	***Total***
Assets			
Cash and cash equivalents	1,470,821	177	1,470,998
Amounts due from credit institutions	912	–	912
Total assets	1,471,733	177	1,471,910
Liabilities			
Amounts due to credit institutions	7,049,578	–	7,049,578
Subordinated loan	576,541	–	576,541
Other liabilities	2,734	–	2,734
Total liabilities	7,628,853	–	7,628,853
Net position	(6,157,120)	177	(6,156,943)
Impact of derivative financial instruments held for the purpose of risk management	5,459,800	–	5,459,800
Net position adjusted for impact of derivative financial instruments held for the purpose of risk management	(697,320)	177	(697,143)

The tables below indicate the currencies to which the Company had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against Tenge, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the statement of comprehensive income. All other variables 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.

	2015			
Currency	***Change in exchange rates in %***	***Effect on profit before tax***	***Change in exchange rates in %***	***Effect on profit before tax***
US Dollar	**60.00%**	**211,734**	**-20.00%**	**(70,578)**

	2014			
Currency	***Change in exchange rates in %***	***Effect on profit before tax***	***Change in exchange rates in %***	***Effect on profit before tax***
US Dollar	20.00%	(139,464)	-20.00%	139,464
Euro	10.00%	18	-10.00%	(18)

Credit risk

Credit risk is the risk that the Company will incur a financial loss because its customers or counterparties failed to discharge their contractual obligations. The Company manages credit risk through the adoption of approved policies and procedures, requiring to set and meet the limits of credit risk concentration as well as by means of establishing the credit committees whose functions include monitoring of a credit risk. The credit policy is reviewed and approved by the Management Board.

A credit policy establishes:

- procedures for review and approval of loan applications;
- methodology of borrowers' creditworthiness assessment;
- methodology of proposed collateral assessment;
- requirements to loan documentation;
- procedures of on-going monitoring of loans and other credit risk bearing products.

(Thousands of Tenge, unless otherwise indicated)

17. Risk management (continued)

Market risk (continued)

Credit risk (continued)

The Company continuously monitors the performance of individual loans and other credit risks.

Apart from individual borrower analysis, the Company assesses the loan portfolio as a whole with regard to concentration of loans and market risks.

The maximum level of the balance sheet credit risk of the Company is generally reflected in the carrying value of financial assets in the statement of financial position and unrecognised contractual commitments. Netting of assets and liabilities is not significant for mitigating the potential credit exposure.

Where financial instruments carried at fair value through profit or loss, 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.

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

	2015	*2014*
Assets		
Cash and cash equivalents	**4,291,786**	2,244,664
Financial instruments at fair value through profit or loss	**2,984,600**	493,859
Amounts due from credit institutions	**12,095**	57,231
Loans to customers	**34,644,759**	28,008,962
	41,933,240	30,804,716

The maximum exposures to credit risk in relation to unrecognised contractual contingencies at the reporting date are presented in *Note 15*. For more detailed information on credit risk with respect to loans to customers refer to *Note 7*.

Collectively assessed allowance

Allowances for impairment of loans to customers are assessed collectively. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio and current economic conditions.

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 lead to financial loss. The Company cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools 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.

(Thousands of Tenge, unless otherwise indicated)

Liquidity risk

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

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

The Company seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks, as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

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

(Thousands of Tenge, unless otherwise indicated)

17. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted repayment obligations:

31 December 2015	*On demand and less than 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total gross cash outflow amount*	*Carrying value*
Financial liabilities							
Amounts due to credit institutions	**259,899**	**1,228,959**	**5,727,895**	**8,597,115**	**23,831,002**	**39,644,870**	**33,968,256**
Other liabilities	**42,144**	**–**	**–**	**–**	**–**	**42,144**	**42,144**
Total liabilities	**302,043**	**1,228,959**	**5,727,895**	**8,597,115**	**23,831,002**	**39,687,014**	**34,010,400**
Credit related contingencies	**231,666**	**–**	**–**	**–**	**–**	**231,666**	**231,666**

31 December 2014	*On demand and less than 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Total gross cash outflow amount*	*Carrying value*
Financial liabilities							
Amounts due to credit institutions	68,162	1,508,265	3,356,395	4,819,842	18,738,106	28,490,770	23,630,431
Subordinated loan	27,275	–	–	573,738	–	601,013	576,541
Other liabilities	27,639	–	–	–	–	27,639	27,639
Total liabilities	123,076	1,508,265	3,356,395	5,393,580	18,738,106	29,119,422	24,234,611
Credit related contingencies	98,130	–	–	–	–	98,130	98,130

(Thousands of Tenge, unless otherwise indicated)

18. Fair value measurements

The estimate of fair value is intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm’s length transaction. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

The estimated fair values of financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

Fair value hierarchy

For the purpose of disclosing the fair values, the Company 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.

		Fair value measurement using			
	Date of valuation	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant non-observable inputs (Level 3)*	*Total*
31 December 2015					
Assets measured at fair value					
Financial instruments at fair value through profit or loss	31 December 2015	–	**2,984,600**	–	**2,984,600**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2015	–	**4,380,492**	–	**4,380,492**
Amounts due from credit institutions	31 December 2015	–	**12,095**	–	**12,095**
Loans to customers	31 December 2015	–	–	**34,791,551**	**34,791,551**
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2015	–	**34,020,940**	–	**34,020,940**
Other financial liabilities	31 December 2015	–	–	**42,144**	**42,144**
31 December 2014					
Assets measured at fair value					
Financial instruments at fair value through profit or loss	31 December 2014	–	493,859	–	493,859
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2014	–	2,297,448	–	2,297,448
Amounts due from credit institutions	31 December 2014	–	57,231	–	57,231
Loans to customers	31 December 2014	–	–	28,008,962	28,008,962
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2014	–	23,630,431	–	23,630,431
Subordinated loan	31 December 2014	–	576,541	–	576,541
Other financial liabilities	31 December 2014	–	–	27,639	27,639

During 2015 and 2014 the Company did not make transfers between levels of the fair value hierarchy for financial instruments recorded at fair value.

(Thousands of Tenge, unless otherwise indicated)

18. Fair value measurements (continued)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2015			*2014*		
	Carrying value	*Fair value*	*Unrecognised gain/ (loss)*	*Carrying value*	*Fair value*	*Unrecognised gain/ (loss)*
Financial assets						
Cash and cash equivalents	**4,380,492**	**4,380,492**	**–**	2,297,448	2,297,448	–
Amounts due from credit institutions	**12,095**	**12,095**	**–**	57,231	57,231	–
Loans to customers	**34,644,759**	**34,791,551**	**146,792**	28,008,962	28,008,962	–
Financial liabilities						
Amounts due to credit institutions	**33,968,256**	**34,020,940**	**(52,684)**	23,630,431	23,630,431	–
Subordinated loan	**–**	**–**	**–**	576,541	576,541	–
Other liabilities	**42,144**	**42,144**	**–**	27,639	27,639	–
Total unrecognised change in fair value			**94,108**			–

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 these 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 three months) 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.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Derivatives valued using a valuation technique with significant non-market observable inputs are primarily long dated option contracts. These derivatives are valued using the binomial models. Models combine various assumptions that are not observable at the market including volatility of market rates.

Financial assets and financial liabilities carried at amortized cost

Fair value of unquoted instruments, including loans to customers, amounts due from credit institutions and amounts due to credit institutions, and other financial assets and liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

(Thousands of Tenge, unless otherwise indicated)

19. 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. For the Company's contractual undiscounted repayment obligations refer to *Note 17*.

	2015			*2014*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	**4,380,492**	**–**	**4,380,492**	2,297,448	–	2,297,448
Financial instruments at fair value through profit or loss	**2,984,600**	**–**	**2,984,600**	493,859	–	493,859
Amounts due from credit institutions	**6,000**	**6,095**	**12,095**	56,319	912	57,231
Loans to customers	**29,449,213**	**5,195,546**	**34,644,759**	24,325,206	3,683,756	28,008,962
Current corporate income tax assets	**116,423**	**–**	**116,423**	67,405	–	67,405
Property and equipment	–	**1,785,527**	**1,785,527**	–	1,503,219	1,503,219
Intangible assets	**–**	**104,926**	**104,926**	–	120,306	120,306
Other assets	**161,854**	**–**	**161,854**	91,352	–	91,352
Total	**37,098,582**	**7,092,094**	**44,190,676**	27,331,589	5,308,193	32,639,782
Amounts due to credit institutions	**13,321,780**	**20,646,476**	**33,968,256**	7,771,438	15,858,993	23,630,431
Subordinated loan	**–**	**–**	**–**	576,541	–	576,541
Deferred corporate income tax liabilities	**–**	**102,801**	**102,801**	–	7,664	7,664
Other liabilities	**905,620**	**–**	**905,620**	615,058	–	615,058
Total	**14,227,400**	**20,749,277**	**34,976,677**	8,963,037	15,866,657	24,829,694
Net position	**22,871,182**	**(13,657,183)**	**9,213,999**	18,368,552	(10,558,464)	7,810,088

20. Related party transactions

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.

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Parent

The Parent of the Company is Corporate Fund KMF-Demeu.

The entity exercising ultimate control over the Company is ACDI/VOCA, a non-profit organisation registered in the United States of America, which prepares its financial statements available to external users.

Transactions with members of key management personnel

Compensation of key management personnel was comprised of the following:

	2015	***2014***
Salaries and other short-term benefits	**195,151**	201,913
Social security costs	**7,623**	6,976
Total compensation to the key management personnel	**202,774**	208,889

(Thousands of Tenge, unless otherwise indicated)

20. Related party transactions (continued)

Transactions with members of key management personnel (continued)

For the years ended 31 December 2015 and 2014, key management personnel did not receive any non-cash remuneration.

	2015	*Average interest rate, %*	*2014*	*Average interest rate, %*
Statement of financial position				
Assets				
Loans to customers	**11,853**	**3.6%**	48,378	9.9%

Amounts included in profit or loss in relation to transactions with members of the key management personnel are as follows:

	2015	*2014*
Statement of comprehensive income		
Interest income	**1,519**	3,941

Transactions with other related parties

Transactions with other related parties comprise transactions with the Company's participants, international financial institutions *(Note 1)* and entities under common control of these financial institutions.

The balances and average effective interest rates as well as the corresponding gain or loss on transactions with other related parties are as follows:

	Participants of the Company's charter capital	
	2015	*Average interest rate, %*
Statement of financial position		
Liabilities		
Amounts due to credit institutions:		
- Tenge	**3,890,229**	**14.3%**
- US Dollars	**1,044,544**	**6.2%**
Statement of comprehensive income		
Interest expenses	**(714,643)**	**–**

	Participants of the Company's charter capital	
	2014	*Average interest rate, %*
Statement of financial position		
Liabilities		
Amounts due to credit institutions:		
- Tenge	4,626,093	12.8%
Statement of comprehensive income		
Interest expenses	(630,879)	–

(Thousands of Tenge, unless otherwise indicated)

21. Capital adequacy

In accordance with the Law of the Republic of Kazakhstan "On Microcredit Organisations" dated 6 March 2003, the Company had to have the charter capital paid in to the amount of not less than 1,000 times the monthly calculation index (MCI), equal to KZT 1,982 thousand as of 31 December 2015. On 26 November 2012, the Law of the Republic of Kazakhstan "On Microfinance Organisations" took effect. In accordance with the Law, the micro-credit organisations should be re-registered as microfinance organisations ("MFOs") with a minimum charter capital of KZT 30,000 thousand and transition period until 1 January 2016. The new requirements for the minimum amount of authorised capital shall not apply to the MFOs until re-registration takes place.

In addition, in accordance with the credit agreements with certain foreign financial institutions, the Company must maintain a ratio of capital to total assets at the level of not less than 15%.

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the NBRK in supervising the Company.

As at 31 December 2015 and 2014 the Company had complied in full with all its externally imposed capital requirements.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise profit for participants.

The Company 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 NBRK requires microfinance organisations to maintain a tier 1 capital adequacy ratio in the amount of not less than 10% of the assets, the total maximum risk factor per a single borrower in the amount of not more than 25% of equity, calculated in accordance with the requirements of the NBRK, and the overall rate of maximum limit of total liabilities in the amount of not more than 1,000% of equity. As at 31 December 2015, the Company's capital adequacy ratio based on the NBRK methodology exceeded the statutory minimum.

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

	2015	*2014*
Tier 1 capital	**9,193,459**	7,782,701
Total assets	**44,190,677**	32,639,783
Tier 1 capital ratio	**21%**	24%

	2015	*2014*
Tier 1 capital	**9,193,459**	7,782,701
Total amount due from one borrower	**15,229**	14,000
Maximum exposure per single borrower to Tier 1 Capital	**1%**	1%

	2015	*2014*
Tier 1 capital	**9,193,459**	7,782,701
Total liabilities of a microfinance organisation except for liabilities to non-residents of the Republic of Kazakhstan, which are international financial organisations	**31,255,074**	23,117,788
Maximum exposure of total liabilities to Tier 1 Capital	**340%**	297%