“Al Hilal” Islamic Bank” JSC

Financial statements

Year ended 31 December 2015,
together with independent auditor’s report

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«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Building a better working world

Independent auditors' report

To the Shareholders and Board of Directors of "Al Hilal" Islamic Bank" JSC

We have audited the accompanying financial statements of "Al Hilal" Islamic Bank" JSC (hereinafter - the "Bank"), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and the 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 Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 audited entity, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of "Al Hilal" Islamic Bank" JSC 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 and 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

18 February 2016

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

(In thousands of tenge)

	Notes	2015	2014
Assets			
Cash and cash equivalents	6	**11,966,695**	1,689,533
Islamic derivative financial instruments	7	**1,859,953**	231,163
Receivables under commodity murabaha agreements	8	**10,219,577**	7,522,559
Wakala investment deposits	9	**1,841,428**	2,590,278
Ijara	10	**561,903**	1,000,338
Property and equipment	11	**267,370**	313,174
Intangible assets	12	**10,541**	7,123
Current corporate income tax assets	13	**–**	18,948
Deferred corporate income tax assets	13	**7,106**	–
Other assets	14	**68,022**	124,187
Total assets		**26,802,595**	13,497,303
Liabilities			
Amounts due to other banks	15	**2,741,229**	–
Amounts due to customers	16	**4,577,786**	1,800,630
International reverse murabaha	17	**6,130,516**	–
Unamortised commission income	18	**19,075**	24,981
Current corporate income tax liabilities	13	**44,809**	–
Deferred corporate income tax liabilities	13	**–**	14,106
Other liabilities	14	**170,276**	150,554
Total liabilities		**13,683,691**	1,990,271
Equity			
Share capital	19	**10,732,338**	10,732,338
Retained earnings		**2,386,566**	774,694
Total equity		**13,118,904**	11,507,032
Total liabilities and equity		**26,802,595**	13,497,303

Signed and authorised for release on behalf of the Management Board of the Bank

Prasad Abraham — Chairman of the Management Board

Aidyn Tairov — Chief Accountant

مصرف الهلال
al hilal bank

18 February 2016

The accompanying notes on pages 5 to 38 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

(In thousands of tenge)

	Notes	*2015*	*2014*
Revenue from ijara and Islamic financing activities	20	**921,572**	623,508
Revenue from wakala investments deposits	20	**164,839**	191,842
Expenses from Islamic finance activities	20	**(37,755)**	–
Net revenue from Islamic finance activities		**1,048,656**	815,350
Net fee and commission income	21	**1,402,259**	840,092
Gain from Islamic derivative financial instruments	7	**1,628,790**	24,444
Net (losses)/gains from foreign currencies	22	**(1,093,934)**	50,825
Non-finance income		**1,937,115**	915,361
Impairment reversal/(charge)	23	**102,169**	(108,854)
Personnel expenses	24	**(610,121)**	(575,828)
Other operating expenses	24	**(474,418)**	(357,090)
Non-finance expenses		**(982,370)**	(1,041,772)
Profit before corporate income tax expense		**2,003,401**	688,939
Corporate income tax expense	13	**(391,529)**	(111,417)
Profit for the year		**1,611,872**	577,522
Other comprehensive income		**–**	–
Total comprehensive income for the year		**1,611,872**	577,522

The accompanying notes on pages 5 to 38 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(In thousands of tenge)

	Share capital	*Retained earnings*	*Total equity*
As at 1 January 2014	10,732,338	197,172	10,929,510
Profit for the year	–	577,522	577,522
Total comprehensive income for the year	–	577,522	577,522
As at 31 December 2014	10,732,338	774,694	11,507,032
As at 1 January 2015	**10,732,338**	**774,694**	**11,507,032**
Profit for the year	–	**1,611,872**	**1,611,872**
Total comprehensive income for the year	–	**1,611,872**	**1,611,872**
As at 31 December 2015	**10,732,338**	**2,386,566**	**13,118,904**

The accompanying notes on pages 5 to 38 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

(In thousands of tenge)

	Notes	*2015*	*2014*
Cash flows from operating activities			
Revenue received from Islamic finance activities		**1,053,839**	703,164
Expenses from Islamic finance activities paid		**(37,755)**	–
Fees and commissions received		**1,400,755**	852,623
Fees and commissions paid		**(4,402)**	(2,911)
Net realised gain/(loss) from dealing in foreign currencies		**217,846**	(15,545)
Personnel expenses paid		**(569,193)**	(481,875)
Other operating expenses paid		**(364,071)**	(327,818)
Cash flows from operating activities before changes in operating assets and liabilities		**1,697,019**	727,638
Net (increase)/decrease in operating assets			
Islamic derivative financial instruments	7	**–**	(179,080)
Receivables under commodity murabaha agreements		**(296,942)**	(1,546,705)
Wakala investment deposits		**795,606**	(138,831)
Ijara		**455,627**	(261,753)
Other assets		**(4,874)**	(74,088)
Net increase/(decrease) in operating liabilities			
Amounts due to other banks		**2,706,134**	–
Amounts due to customers		**646,545**	(3,903,055)
International reverse murabaha		**3,352,678**	–
Other liabilities		**(35,624)**	(60,034)
Net cash flows from/(used in) operating activities before corporate income tax		**9,316,169**	(5,435,908)
Corporate income tax paid		**(348,984)**	(108,143)
Net cash flows from/(used in) operating activities		8,967,185	(5,544,051)
Cash flows from investing activities			
Purchase of property and equipment		**(9,595)**	(113,991)
Proceeds from sale of property and equipment		**–**	12,925
Purchase of intangible assets	12	**(6,803)**	(4,054)
Net cash flows used in investing activities		**(16,398)**	(105,120)
Effect of exchange rates changes on cash and cash equivalents		**1,326,375**	158,130
Net increase/(decrease) in cash and cash equivalents		**10,277,162**	(5,491,041)
Cash and cash equivalents as at 1 January		**1,689,533**	7,180,574
Cash and cash equivalents as at 31 December	6	**11,966,695**	1,689,533

The accompanying notes on pages 5 to 38 are an integral part of these financial statements.

(In thousands of tenge)

1. Principal activities

"Al Hilal" Islamic Bank" JSC (hereinafter – the "Bank") was formed on 22 January 2010 as a joint stock company under the laws of the Republic of Kazakhstan. The Bank operates under a general banking license No. 1.1.261 issued by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations on 17 March 2010 and re-issued by the National Bank of the Republic of Kazakhstan (hereinafter – the "NBRK") on 23 February 2015.

The Bank is involved in Islamic banking activities and carries out its operations through its head office in Almaty and branches in Astana and Shymkent. The Bank accepts deposits from the public and extends finance transactions based on Sharia principles and rules, transfers payments within the Republic of Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial customers.

The sole shareholder of the Bank is Al Hilal Bank PJSC (Abu Dhabi, United Arab Emirates). The ultimate shareholder of the Bank is the Government of the Abu Dhabi, represented by Abu Dhabi Investment Council.

The registered and actual address of the Bank is: Republic of Kazakhstan, Almaty, Al-Farabi Ave. 77/7, Esentai Tower.

2. Basis of preparation

General

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

The financial statements have been prepared under the historical cost convention except that Islamic derivative financial instruments are stated at fair value.

These financial statements are presented in thousands of tenge ("tenge" or "KZT") unless otherwise is stated.

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. As a result, significant depreciation of tenge in relation to US dollar and other leading world currencies took place. As at 31 December 2015, the official exchange rate used for translation of monetary balances in foreign currency accounts was KZT 340.01 for 1 US dollar (as at 31 December 2014: KZT 182.35 for 1 US dollar).

3. Definition of significant terms

Sharia

Sharia is the Body of Islamic law and is derived from the Holy Quran and the Sunna'h of Holy Prophet (PBUH). The Bank being an Islamic Financial Institution incorporates the principles and rules of Sharia in its activities, as interpreted by its Islamic Financial Principles Board.

Commodity Murabaha and Tawarruq and Reverse Murabaha

A method where the Bank purchases commodities from a Broker and takes ownership and constructive possession of commodity and then sells it to a customer on a deferred payment basis. The customer then sells the same asset to a third party for immediate delivery and payment, the end result being that the customer receives a cash amount and has a deferred payment obligation for the marked-up price to the Bank. The asset is typically a freely tradable commodity such as platinum or palladium. Gold and silver are treated by Sharia as currency and cannot be used.

Ijara

Leasing of identified asset ending with ownership transfer (also known as Ijara Muntahia Bitamleek) is an agreement whereby the Bank buys an asset according to the customer's intention, presented in intent notice and then leases it, in its capacity as a lessor, to the customer as lessee for the specified rental over a specific period. The duration of the lease term, as well as the basis for rental, are set and agreed in lease agreement. The Bank possesses ownership of the asset throughout the lease term. The arrangement could end by transferring the ownership of the asset to the lessee upon completion by the lessee of it obligation during or at the end lease term.

Mudaraba

Mudaraba is a contractual arrangement whereby two or more parties undertake an economic activity. Mudaraba is a partnership in profit between capital and work. It may be conducted between investment account holders as providers of funds and the Bank as a Mudarib. The Bank announces its willingness to accept the funds of investment account holders, the sharing of the profits being as agreed between the two parties and the losses being borne by the provider of the funds except if they were due to misconduct, negligence or violation of the conditions agreed upon by the Bank, in which case, such losses would be borne by the Bank.

(In thousands of tenge)

3. Definition of significant terms (continued)

Wakala

An agreement whereby the Investor provides a certain sum of money to an agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or percentage of the amount invested). The agent may be granted any excess over and above a certain pre-agreed expected rate of return as a performance incentive. The agent is obliged to return the invested amount in case of the agent's negligence or violation of the terms and conditions of the Wakala.

Zakah

It is a right which becomes due in certain types of wealth and disbursable to specific categories of recipients. It is an in rem duty when its conditions are satisfied.

Sukuk

Sukuk are certificates of equal value representing undivided common shares in ownership of tangible assets or in the ownership of a specific asset (leased or to be leased either existing or to be constructed in future), usufruct and services or in the ownership of cash receivables of selling an existing-owned asset, or in the ownership of goods receivables, or in the ownership of the assets of Mudaraba or Partnership companies. In all these cases, the Sukuk holders shall be the owners of their common shares in the leased assets, or in the cash receivables, or the goods receivable, or in the assets of the Partnership or the Mudaraba.

Wa'ad Swap (Islamic derivative financial instruments)

Currency and profit rate swaps are promises to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or profit rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency profit rate swaps).

Qard Hassan

Qard Hassan short term receivables are non-profit bearing financing receivables whereby the customer borrows funds for a period of time with an understanding that the same amount shall be repaid at the end of the agreed period.

4. Summary of significant accounting policies

Changes in accounting policies

The Bank has adopted the following amended IFRS 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 the contributions are linked to service, they should 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 such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Bank, since the Bank does not have defined benefit plans with contributions from employees or third parties.

(In thousands of tenge)

4. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

Annual improvements 2010-2012 cycle

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

IFRS 2 Share-based Payment

This improvement 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 above definitions are consistent with how the Bank has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Bank's accounting policies.

IFRS 13 Short-term Receivables and Payables – Amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated profit rates can be measured at invoice amounts when the effect of discounting is immaterial. This is consistent with the Bank's current accounting policy, and thus this amendment does not impact the Bank's accounting policy.

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 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 Bank does not use revaluation model for any of its property and equipment.

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 is not relevant for the Bank as it does not receive any management services from other entities.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these financial statements. It includes:

Meaning of effective IFRSs – Amendments to IFRS 1

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 had no impact on the Bank, since the Bank is an existing IFRS preparer.

(In thousands of tenge)

4. Summary of significant accounting policies (continued)

Financial assets

The Bank has voluntarily adopted IFRS 9 starting from 1 January 2013.

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

The financing instruments are measured at amortised cost only if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amoritsed cost criteria the entity may choose at initial recognition to designate the financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The Bank has elected not to designate any financing instruments as FVTPL under the fair value option.

Only financial assets that are classified and measured at amortised cost are tested for impairment.

Investments in equity instruments not held for trading are designated by the Bank as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

The management has reviewed and assessed all of the Bank's existing financial assets as at the date of initial application of IFRS 9. The adoption of IFRS 9 has no impact on the financial statements, and the Bank has not performed any reclassification or made any adjustment of the book value of its financial instruments as a result of adoption of IFRS 9.

Initial recognition

Financial assets in the scope of IFRS 9 are classified as either financial assets at fair value through profit or loss, at fair value through other comprehensive income or financial assets measured at amortised cost as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank 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 Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Receivables from Islamic finance activities

Receivables from Islamic finance activities, which include receivables under commodity murabaha agreements, are non-derivative financial assets with fixed payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale but to receive contractual cash flows. Assets are carried at amortised cost using the effective profit rate method. Gains and losses are recognised in the profit or loss when the receivables are derecognised or impaired, as well as through the amortisation process. The Bank's receivable from Islamic finance activities consisted of Murabaha receivables. Murabaha receivables are stated at amortised cost less any allowance for impairment.

Fair value measurement

The Bank measures financial instruments such as Islamic derivative financial instruments at fair value at the balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in *Note 27*.

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.

(In thousands of tenge)

4. Summary of significant accounting policies (continued)

Fair value measurement (continued)

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

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

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

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

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

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, obligatory reserves, amounts due from the National Bank of the Republic of Kazakhstan and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Islamic derivative financial instruments

In the normal course of business, the Bank enters into Islamic derivative financial instruments (Wa'ad Swap) in the foreign exchange markets. Such financial instruments 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. Islamic derivatives financial instruments 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 profit or loss as Gain from Islamic derivative financial instruments.

Leases

Operating – Bank as lessee

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

(In thousands of tenge)

4. Summary of significant accounting policies (continued)

Leases (continued)

Ijara Muntahia Bitamleek (Finance lease) – Bank as lessor

A form of leasing contract which includes an undertaking by a lessor to transfer the ownership in the leased property to the lessee, either at the end of the term of the ijara or by stage during the term of the lease agreement. The Bank recognizes ijara assets at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Rental income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the financing under ijara agreements.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the obligor or a group of obligors is experiencing significant financial difficulty, default or delinquency in profit rate 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.

Receivables from Islamic finance activities

For receivables from Islamic finance activities carried at amortised cost, including recievables under Commodity Murbaha agreements, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' 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. Finance income continues to be accrued on the reduced carrying amount based on the original effective profit rate of the asset. Receivables from Islamic finance activities together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

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

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

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

(In thousands of tenge)

4. Summary of significant 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 where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset;
- total loss of subject of lease not due customer fault; in which case the existing asset will generally be derecognised and the rental payments will be recalculated on the basis of the prevailing market rate of rental for similar property which will be determined by the Bank.

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

Financial liabilities

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

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

Taxation

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

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

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 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.

Property and equipment

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

The carrying 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:

	Years
Buildings	20
Leasehold improvements	7
Motor vehicles	4
Furniture and fixtures	4
Computers and office equipment	4

(In thousands of tenge)

4. Summary of significant accounting policies (continued)

Property and equipment (continued)

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 capitalization.

Assets under construction represent property and equipment under construction and equipment awaiting installation and is stated at cost. Construction-in-progress includes cost of construction and equipment and other direct costs. Once completed or when the equipment are ready for their intended use, construction-in-process is transferred into the appropriate category and depreciation commenced accordingly.

Intangible assets

Intangible assets include computer software and licenses. Intangible assets are carried at cost less any accumulated amortization. Intangible assets are amortised on a straight – line basis over the useful economic lives of 4 years and assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Provisions

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

Retirement and other employee benefit obligations

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

Share capital

Ordinary shares with discretionary dividends are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity.

Fiduciary assets

Assets held in a fiduciary capacity under wakala and mudaraba agreements are not reported in the financial statements, as they are not the assets of the Bank.

Since the Bank carries no risk and is not responsible for any losses incurred during normal investment activity for mudaraba and wakala products, unless this happened due to the Bank's gross negligence or willful misconduct, both wakala and mudaraba deposits are accounted for as off balance sheet items.

Contingencies

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

Recognition of income and expenses

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

Income and expense on Islamic finance activities

For all financial instruments measured at amortised cost income or expense on Islamic finance activities is recorded at the effective profit 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 includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective profit rate and the change in carrying amount is recorded as income or expense on Islamic finance activities.

(In thousands of tenge)

4. Summary of significant accounting policies (continued)

Recognition of income and expenses (continued)

Income and expense on Islamic finance activities (continued)

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

Fee and commission income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, Mudarib share of profit, Wakil's incentive and agency fee under wakala agreements.

Foreign currency translation

The financial statements are presented in Kazakhstan tenge, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into KZT at the market exchange rate quoted by the Kazakhstan Stock Exchange (the "KASE") and reported by the NBRK at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit or loss as net gains/(losses) from foreign currencies – translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the 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 market exchange rate quoted by KASE on the date of the transaction are included in net gains/(losses) from foreign currencies - dealing. The market exchange rates quoted by KASE at 31 December 2015 and 2014 were KZT 340.01 and KZT 182.35 to USD 1, respectively.

Standards and interpretations issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IFRS Board published 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 versions of IFRS 9. The standard introduces new requirements to classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. Retrospective application is required but presentation of comparative information is not mandatory. Earlier application of previous versions of IFRS 9 is permitted if the date of initial application is 1 February 2015 or earlier. Application of IFRS 9 will have an impact on classification and measurement of the Bank's financial assets and will not have an impact on classification and measurement of its financial liabilities. The Bank has early adopted the first phase of IFRS 9 Financial Instruments. The finalised standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 *Leases*, insurance contracts within the scope of IFRS 4 *Insurance Contracts* and 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 out of IFRS 15 scope and is dealt by respective standards.

Under IFRS 15 revenue is recognised at an amount that reflects the 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 revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

(In thousands of tenge)

4. Summary of significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-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 accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual reporting periods beginning on or after 1 January 2016. The standard has no impact on the Bank, since the Bank is an existing IFRS preparer.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of profits

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional profit in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional profits in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016. Early application is permitted. These amendments are not expected to have any impact to the Bank.

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

The amendments clarify the principle 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 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. Earlier application is permitted. These amendments are not expected to have any impact to the Bank given that the Bank 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. Earlier application is permitted. These amendments will not have any impact on the Bank's financial statements.

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. 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 are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

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

(In thousands of tenge)

4. Summary of significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Amendments to IAS 1 Disclosure Initiative (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These 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 Bank. 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, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

Annual improvements 2012-2014 cycle

These improvements are effective from 1 January 2016. These amendments are not expected to have a significant impact on the Bank. They include the following amendments:

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, with earlier application 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 amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application 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.

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. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

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. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted. IAS 19 *Employee Benefits* – regional market issue regarding discount rate.

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 that currency, government bond rates must be used.

The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(In thousands of tenge)

4. Summary of significant accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Annual improvements 2012-2014 cycle (continued)

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. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5. Significant accounting judgments and estimates

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

Impairment losses on receivables under commodity murabaha, wakala investment deposits and ijara

The Bank regularly reviews its receivables under commodity murabaha, wakala investment deposits and ijara to assess impairment. The Bank uses its experienced judgment to estimate the amount of any impairment loss in cases where an obligor is in financial difficulties and there are few available sources of historical data relating to similar obligors. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of obligors.

Measurement and recognition of Wa'ad Swap (Islamic derivative financial instruments)

The Bank enters into derivative transactions with counterparties. The transaction price in the market in which these transactions are undertaken may be different from fair value in the Bank's principal market for those instruments, which is the wholesale dealer market. At initial recognition, the Bank estimates the fair values of Islamic derivatives financial instruments transacted with counterparties using valuation techniques. In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the wholesale dealer market. In cases where all inputs are not observable, for example because there are no observable trades in a similar risk at the reporting date, the Bank uses valuation techniques that rely on unobservable inputs – for example, volatilities of certain underlying's.

6. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2015	*2014*
Cash on hand	**340,711**	90,215
Current account with the NBRK	**3,664,976**	711,035
Current accounts with other financial institutions	**7,961,008**	888,283
Cash and cash equivalents	**11,966,695**	1,689,533

Under legislation of the Republic of Kazakhstan, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held on current account with the NBRK or physical cash computed based on average monthly balances of the aggregate of cash balances on current account with the NBRK or physical cash in national and hard currencies during the period of reserve creation. However, the Bank is not restricted from using these funds to finance its day-to-day operations.

As at 31 December 2015, obligatory reserves amounted to KZT 455,918 thousand (as at 31 December 2014: KZT 60,622 thousand).

(In thousands of tenge)

7. Wa'ad Swap (Islamic derivative financial instruments)

Derivative financial asset represents the fair value of the cross currency wa'ad swaption contracted with the NBRK to deliver KZT 1,989,570 thousand in exchange for USD 11,000 thousand. The Bank paid the premium at inception date in 2014 of KZT 179,080 thousand. This wa'ad swap matures in 2017. According to the Wa'ad document, the NBRK has a right to early terminate the undertaking at its discretion. As at 31 December 2015, the fair value of the instruments equaled to KZT 1,859,953 thousand (as at 31 December 2014: KZT 231,163 thousand).

During 2015, the Bank recognized a gain of KZT 1,628,790 thousand from change in fair value of Islamic derivative financial instruments as a result of significant devaluation of KZT to major currencies starting from August 2015 (in 2014: KZT 24,444 thousand).

8. Receivables under commodity murabaha agreements

Receivables under commodity murabaha agreements comprise:

	2015	*2014*
Receivables under commodity murabaha agreements – corporate	**10,212,986**	7,589,834
Receivables under commodity murabaha agreements – retail	**13,287**	6,409
Gross receivables under commodity murabaha agreements	**10,226,273**	7,596,243
Less: allowance for impairment *(Note 23)*	**(6,696)**	(73,684)
Net receivables under commodity murabaha agreements	**10,219,577**	7,522,559

As at 31 December 2015, receivables under commodity murabaha agreements bear profit rate of 6.5%-14% per annum and mature in 2016-2020 (as at 31 December 2014: profit rate of 3.6%-12% per annum and maturity in 2015-2019).

As at 31 December 2015, the Bank has four counterparties (as at 31 December 2014: two), whose balances of receivables under commodity murabaha agreements exceed 10% of equity. The total gross value of these balances as at 31 December 2015 is KZT 6,861,699 thousand (as at 31 December 2014: KZT 4,272,040 thousand).

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.

As at 31 December 2015 and 2014, receivables arising from commodity murabaha agreements are secured by real estate, movable property, inventory, corporate guarantees and cash deposits. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment on receivables under commodity murabaha agreements.

Concentration of receivables under commodity murabaha agreements

Receivables under commodity murabaha agreements are made within the Republic of Kazakhstan in the following industry sectors:

	2015	*2014*
Food trading	**2,527,945**	2,661,385
Trade	**2,313,421**	1,777,758
Real estate construction	**2,019,737**	297,074
Transportation and communication	**1,942,982**	2,482,941
Machinery and equipment trade	**720,428**	105,656
Energy supply	**341,852**	–
Operating leases	**170,997**	–
Agriculture, forestry, fishing and hunting	**149,298**	265,019
Oil and gas industry	**26,289**	–
Individuals (employees of the Bank)	**11,860**	3,236
Individuals	**1,464**	3,174
	10,226,273	7,596,243
Less: allowance for impairment *(Note 23)*	**(6,696)**	(73,684)
	10,219,577	7,522,559

As at 31 December 2015 and 2014, no amounts of receivables under commodity murabaha agreements show specific indicators of impairment. Information on movements in impairment allowance is disclosed in *Note 23*.

(In thousands of tenge)

9. Wakala investment deposits

As at 31 December 2015, the Bank had investment transactions under wakala agreements, which bear expected profit rate of 7-8% per annum and mature in 2017-2019 (as at 31 December 2014: profit rate of 7-8% per annum and mature in 2017-2019). Total amount of the wakala investment deposits as at 31 December 2015 equals to KZT 1,841,428 thousand (as at 31 December 2014: KZT 2,590,278 thousand) and the amount of allowance for impairment of wakala investment deposits is nil (as at 31 December 2014: KZT 25,371 thousand). Wakala investment deposits are made within the Republic of Kazakhstan in the postal services industry sector.

As at 31 December 2015, the Bank has one financial institution (as at 31 December 2014: one), whose investment deposit balances exceed 10% of equity. The gross value of these balances as at 31 December 2015 is KZT 1,841,428 thousand (as at 31 December 2014: KZT 2,615,649 thousand).

Information on movements in impairment allowance is disclosed in *Note 23*.

10. Ijara

Ijara represents net investment in assets leased for periods which either approximate or cover major parts of the estimated useful lives of such assets. The documentation for ijara includes a separate undertaking from the Bank to sell the leased assets to the lessee upon maturity of the lease:

As at 31 December 2015	*Not later than 1 year*	*Later than 1 year and not later than 5 years*	*Total*
Ijara to be received upon maturity – corporate	**401,500**	**188,899**	**590,399**
Less: future variable rental (deferred income) – corporate	**(13,296)**	**(15,200)**	**(28,496)**
Less: allowance for impairment *(Note 23)*	**–**	**–**	**–**
Net present value of minimum ijara	**388,204**	**173,699**	**561,903**

As at 31 December 2014	*Not later than 1 year*	*Later than 1 year and not later than 5 years*	*Total*
Ijara to be received upon maturity – corporate	503,878	590,400	1,094,278
Less: future variable rental (deferred income) – corporate	(8,017)	(76,124)	(84,141)
Less: allowance for impairment *(Note 23)*	(4,420)	(5,379)	(9,799)
Net present value of minimum ijara	491,441	508,897	1,000,338

As at 31 December 2015, ijara transactions bear profit rate of 7.5-8.5% per annum and mature in 2016-2017 (as at 31 December 2014: profit rate of 7.5-8.5% per annum and mature in 2015-2017). Ijara are made within the Republic of Kazakhstan in the oil and gas industry sector.

The entire amount of ijara is collateralised by equipment fair value of which is determined at the reporting date.

As at 31 December 2015 and 2014, the Bank has no counterparties under ijara, whose ijara balances exceed 10% of equity.

Information on movements in impairment allowance is disclosed in *Note 23*.

(In thousands of tenge)

11. Property and equipment

The movements in property and equipment were as follows:

	Buildings	*Leasehold improve-ments*	*Motor vehicles*	*Furniture and fixtures*	*Computers and other office equipment*	*Total*
Cost						
At 31 December 2013	221,969	22,436	22,557	29,589	21,077	317,628
Additions	–	98,406	–	4,437	8,113	110,956
Disposals	–	(12,925)	–	–	–	(12,925)
At 31 December 2014	221,969	107,917	22,557	34,026	29,190	415,659
Additions	–	**5,406**	–	**5,787**	**1,437**	**12,630**
At 31 December 2015	**221,969**	**113,323**	**22,557**	**39,813**	**30,627**	**428,289**
Accumulated depreciation						
At 31 December 2013	(28,337)	(7,134)	(14,098)	(19,644)	(7,682)	(76,895)
Charge for the year	(11,024)	(9,212)	(5,639)	(6,416)	(6,224)	(38,515)
Disposal	–	12,925	–	–	–	12,925
At 31 December 2014	(39,361)	(3,421)	(19,737)	(26,060)	(13,906)	(102,485)
Charge for the year	**(11,025)**	**(33,469)**	**(2,820)**	**(5,265)**	**(5,855)**	**(58,434)**
At 31 December 2015	**(50,386)**	**(36,890)**	**(22,557)**	**(31,325)**	**(19,761)**	**(160,919)**
Net book value						
At 31 December 2013	193,632	15,302	8,459	9,945	13,395	240,733
At 31 December 2014	182,608	104,496	2,820	7,966	15,284	313,174
At 31 December 2015	**171,583**	**76,433**	–	**8,488**	**10,866**	**267,370**

As at 31 December 2015, the Bank had fully depreciated motor vehicles for the total amount of KZT 22,557 thousand at historical cost, which was still in use (as at 31 December 2014: nil).

12. Intangible assets

The movements of intangible assets were as follows:

	Computer software
Cost	
At 31 December 2013	15,474
Additions	4,054
At 31 December 2014	19,528
Additions	**6,803**
At 31 December 2015	**26,331**
Accumulated amortization	
At 31 December 2013	(8,724)
Charge for the year	(3,681)
At 31 December 2014	(12,405)
Charge for the year	**(3,385)**
At 31 December 2015	**(15,790)**
Net book value	
At 31 December 2013	6,750
At 31 December 2014	7,123
At 31 December 2015	**10,541**

(In thousands of tenge)

13. Taxation

The corporate income tax expense comprises:

	2015	*2014*
Current corporate income tax charge	**412,741**	89,195
Deferred corporate income tax charge – origination and reversal of temporary differences	**(21,212)**	22,222
Corporate income tax expense	**391,529**	111,417

The Republic of Kazakhstan was only one tax jurisdiction in which the Bank's income is taxable. In accordance with tax legislation the applied corporate income tax rate is 20% 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 corporate income tax expense	**2,003,401**	688,939
Statutory tax rate	**20%**	20%
Theoretical corporate income tax expense at the statutory rate	**400,680**	137,788
Non-taxable income from ijara	**(11,092)**	(28,048)
Non-deductible expenditures	**1,941**	1,677
Corporate income tax expense	**391,529**	111,417

As at 31 December 2015, current corporate income tax liabilities comprised KZT 44,809 thousand. As at 31 December 2014, current corporate income tax assets comprised KZT 18,948 thousand.

Deferred corporate income tax assets and liabilities as at 31 December and their movements for the respective years comprise:

	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					
Tax loss carried forward	(9,322)	9,322	–	**–**	**–**
Accrual for bonuses	15,888	708	16,596	**9,026**	**25,622**
Unused vacation accrual	1,020	561	1,581	**(466)**	**1,115**
Islamic derivative financial instruments	8,630	(8,630)	–	**–**	**–**
Deferred corporate income tax assets	16,216	1,961	18,177	**8,560**	**26,737**
Tax effect of taxable temporary differences					
Islamic derivative financial instruments	–	(6,887)	(6,887)	**6,887**	**–**
Property and equipment	(8,100)	(17,296)	(25,396)	**5,765**	**(19,631)**
Deferred corporate income tax liabilities	(8,100)	(24,183)	(32,283)	**12,652**	**(19,631)**
Net deferred corporate income tax assets/ (liabilities)	8,116	(22,222)	(14,106)	**21,212**	**7,106**

(In thousands of tenge)

14. Other assets and liabilities

Other assets comprise the following:

	2015	*2014*
Guarantee deposit	**24,665**	42,374
Due from employees under Qard Hassan agreements	**8,591**	7,938
Total other financial assets	**33,256**	50,312
Prepaid insurance premium	**10,087**	13,098
Rent prepayment	**7,813**	32,920
Prepayment for cleaning services	**4,999**	–
Prepayments for air tickets	**2,084**	–
Prepaid taxes other than income tax	**3,406**	9,951
Information services and consulting prepayments	**712**	7,299
Furniture prepayments	**–**	3,035
Other	**5,665**	7,572
Total other non-financial assets	**34,766**	73,875
Other assets	**68,022**	124,187

Other liabilities comprise the following:

	2015	*2014*
Accounts payable	**11,038**	35,416
Total other financial liabilities	**11,038**	35,416
Accrued bonuses	**113,922**	79,259
Salary payable	**18,275**	–
Taxes other than income tax payable	**10,764**	60
Accrued unused vacations expenses	**5,577**	7,903
Other	**10,700**	27,916
Total other non-financial liabilities	**159,238**	115,138
Other assets	**170,276**	150,554

15. Amounts due to other banks

Amounts due to other banks mainly comprise current accounts of AsiaCredit Bank JSC and Bank CenterCredit JSC totalling to KZT 2,724,857 thousand and KZT 16,372 thousand, respectively (as at 31 December 2014: nil).

16. Amounts due to customers

Amounts due to customers comprise the following:

	2015	*2014*
Current accounts	**4,577,786**	1,800,630
Amounts due to customers	**4,577,786**	1,800,630

Amounts due to customers include accounts with the following types of customers:

	2015	*2014*
Private enterprises	**4,017,251**	1,395,516
Individuals	**292,344**	92,015
Government entities	**101,990**	52,958
International organizations	**85,393**	57,436
Employees	**80,808**	202,705
Amounts due to customers	**4,577,786**	1,800,630

(In thousands of tenge)

16. Amounts due to customers (continued)

Amounts due to customers are geographically concentrated within the Republic of Kazakhstan in the following economic sectors:

	2015	*2014*
Construction	**2,892,025**	347,414
Food trading	**437,179**	60,709
Leasing	**351,811**	286,580
Individuals	**292,344**	92,015
Agriculture, forestry, fishing and hunting	**148,881**	62,145
Government	**101,990**	52,958
Charity	**85,393**	57,436
Employees	**80,808**	202,705
Trade	**63,893**	133,674
Post	**44,662**	261,569
Financial services	**14,975**	30,188
Machinery and equipment trade	**5,112**	9,759
Transport and communication	**2,308**	128,617
Other	**56,405**	74,861
Amounts due to customers	**4,577,786**	1,800,630

17. International reverse murabaha

International reverse murabaha comprise the following:

	2015	*2014*
Gross international reverse murabaha	**6,150,220**	–
Less: deferred profit	**(19,704)**	–
International reverse murabaha	**6,130,516**	–

As at 31 December 2015, international reverse murabaha bear profit rate of 1.9% per annum and mature on 2 March 2016.

18. Unamortised commission income

Unamortised commissions are the commission charged by the Bank to its customers for studying and documentation of Islamic financing. As unamortised commissions are transaction costs directly attributable to issue of Islamic financing, they are amortised over the expected life of the agreements. As at 31 December 2015 and 2014, the amount of unamortised commission income is KZT 19,075 thousand and KZT 24,981 thousand, respectively.

19. Equity

As at 31 December 2015 and 2014, authorized and outstanding 10,732,338 common shares are issued and fully paid by the sole shareholder of the Bank at placement value of KZT 1 thousand per one common share. No dividends were declared or paid during 2015 and 2014.

20. Net revenue from Islamic finance activities

Net revenue from Islamic finance activities comprises:

	2015	*2014*
Revenue from commodity murabaha – corporate	**795,041**	534,472
Revenue from investments in wakala deposits – corporate	**164,839**	191,842
Revenue from tawarruq – banks	**68,501**	4,866
Revenue from ijara – corporate	**55,460**	83,512
Revenue from commodity murabaha – retail	**2,570**	658
Expenses from Islamic finance activities	**(37,755)**	–
	1,048,656	815,350

In 2015 expenses from Islamic finance activities included expenses from international reverse murabaha of KZT 37,755 thousand (in 2014: nil).

(In thousands of tenge)

21. Net fee and commission income

Net fee and commission income comprises:

	2015	*2014*
Agency commission and performance incentive under wakala and mudarib share of profit under mudaraba agreements *(Note 25)*	**1,262,595**	757,940
Letters of credit and guarantees	**83,481**	32,421
Non-capitalisable portion of study and documentation fee in relation to financing	**29,426**	33,938
Transfer operations	**22,281**	13,140
Settlement and cash operations	**8,153**	4,957
Other	**725**	607
Fee and commission income	**1,406,661**	843,003
Transfer operations	**(1,725)**	(1,516)
Other	**(2,677)**	(1,395)
Fee and commission expense	**(4,402)**	(2,911)
Net fee and commission income	**1,402,259**	840,092

22. Net (losses)/gains from foreign currencies

Net (losses)/gains from foreign currencies comprise the following:

	2015	*2014*
Net (losses)/gains from foreign currencies:		
- dealing	**217,846**	34,875
- translation differences	**(1,311,780)**	15,950
	(1,093,934)	50,825

23. Impairment charge

The movement in allowance for impairment of receivables from Islamic finance activities is as follows:

	Receivables under commodity murabaha agreements (Note 8)	*Wakala investment deposits (Note 9)*	*Ijara (Note 10)*	*Total*
As at 1 January 2015	**73,684**	**25,371**	**9,799**	**108,854**
Reversal for the year	**(66,999)**	**(25,371)**	**(9,799)**	**(102,169)**
Translation difference	**11**	**–**	**–**	**11**
As at 31 December 2015	**6,696**	**–**	**–**	**6,696**
Collective impairment	**6,696**	**–**	**–**	**6,696**
	6,696	**–**	**–**	**6,696**

	Receivables under commodity murabaha agreements (Note 8)	*Wakala investment deposits (Note 9)*	*Ijara (Note 10)*	*Total*
As at 1 January 2014	–	–	–	–
Charge for the year	73,684	25,371	9,799	108,854
As at 31 December 2014	73,684	25,371	9,799	108,854
Collective impairment	73,684	25,371	9,799	108,854
	73,684	25,371	9,799	108,854

(In thousands of tenge)

24. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2015	*2014*
Salaries and bonuses	**561,684**	530,689
Social security costs	**48,437**	45,139
Personnel expenses	**610,121**	575,828
Rent	**198,369**	161,804
Depreciation and amortization	**61,819**	42,196
Professional services	**53,752**	14,135
Taxes other than income tax	**30,477**	23,618
Information technology services	**20,787**	24,012
Communication	**18,315**	16,382
Security	**16,137**	16,035
Sharia expenses	**11,331**	–
Business trips	**10,831**	13,466
Utilities	**8,960**	9,588
Penalties	**8,800**	–
Transportation	**8,369**	8,879
Cleaning services	**5,942**	4,701
Trainings	**2,705**	3,462
Stationery	**2,454**	1,315
Charity and sponsorship	**1,701**	–
Food	**–**	1,274
Representation expense	**–**	2,548
Other	**13,669**	13,675
Other operating expenses	**474,418**	357,090

25. Commitments and contingencies

Operating environment

The 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 Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

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

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. 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 Bank. As at 31 December 2015 and 2014, no provision has been made in these financial statements for any of such action or complaints.

Taxation

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 50% of the taxes unpaid or more.

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

(In thousands of tenge)

25. Commitments and contingencies (continued)

Taxation (continued)

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

Credit related commitments and contingencies

As at 31 December, the Bank's credit related commitments comprise:

	2015	*2014*
Undrawn commitments on receivables from Islamic finance activities	**9,461,383**	10,294,555
Guarantees issued	**2,383,650**	2,713,274
Credit related commitments	**11,845,033**	13,007,829

Trust activities

The Bank acts in agent capacity for investing amounts received under wakala and acts as a mudarib in mudaraba agreements as follows:

	2015	*2014*
Wakala		
Unutilised portion of wakala deposits at 1 January	**–**	–
Wakala deposits received	**170,675,919**	74,634,083
Amount utilised for murabaha	**(170,233,906)**	(74,397,028)
Amount utilised for investments in wakala deposits	**(442,013)**	(237,055)
Unutilised portion of wakala deposits at 31 December	**–**	–
Mudaraba		
Unutilised portion of mudaraba deposits at 1 January	**–**	–
Mudaraba deposits received	**32,348**	31,454
Amount utilised for issuance of murabaha and ijara receivables	**(32,348)**	(31,454)
Unutilised portion of mudaraba deposits at 31 December	**–**	–
Profit accrued on receivable under murabaha agreements and ijara	**1,882,063**	1,038,087
Profit accrued on investments in wakala deposits	**4,492**	10,500
Profit accrued on investments in tawarruq	**–**	1,283
Agency commission attributable to the Bank *(Note 21)*	**(1,262,595)**	(757,940)
Profit attributable to customers on wakala and mudaraba deposits	**623,960**	291,930

The Bank carries no risk for utilised portion of wakala and mudaraba deposits except when the deposits are lost due to misconduct, negligence or violation of the conditions agreed upon by the Bank, in which case, such losses would be borne by the Bank. Profit attributable to customers also includes depositors profit reserve and the zakah due on these reserves. The Bank is discharging this zakah on behalf of the depositors.

(In thousands of tenge)

26. Risk management

Introduction

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

This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market to control the level of credit risk taken; the Bank assesses counterparties using the same techniques as for its financing activities.

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

Risk management structure

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

Board of Directors

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

Management Board

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

Risk Management Department

The Risk Management Department is responsible for control over compliance with principles, policies on risk-management and risk limits of Bank, for independent risk control, including positions subject to risk in comparison with established limits, estimation of risk for new products and structured transactions and also performs collection of full information in risk estimation systems and risk-management reports. It monitors and controls quality of credit portfolio, coverage of credit risk by liquid collateral. The Department together with business units is responsible for realisation of the Credit Policy of the Bank and requirements of other internal documents and of state regulators. The Department takes part in making decisions on accepting different risks. The Department develops methods of quantitative estimation of risks attributable to the Bank, and provides recommendation to different departments of the Bank on minimisation and effective control over risks. Risk Management Department develops and implements methodology and analytical instruments, which allow the evaluation of risks, to control the level of risk and organise procedures to mitigate risks.

Islamic Finance Principles Board

This body is responsible to review the operational, financing and investing activities of the Bank ensuring their alignment and compliance with the principles and rules of Sharia. Being a supervisory Board it is also required to audit the business activities undertaken and present an independent Sharia report to the shareholders with regard to the implementation of the principles and rules of Sharia in the Bank's overall activities.

The Sharia Coordinator represents the Islamic Finance Principles Board and is also responsible to ensure compliance with instructions issued by the Islamic Finance Principles Board including reviewing all standard and non standard contracts, product parameters, financial statements and conducting the Sharia Audit.

Bank Treasury

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

Internal Audit

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

(In thousands of tenge)

26. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems

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

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

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Asset and Liability Committee, and the Credit Committee as appropriate. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry and customer risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board of Directors receives a comprehensive risk report once a quarter, which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels throughout the Bank, 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.

The Bank actively uses collateral to reduce its credit risk.

Excessive risk concentration

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

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

Credit risk

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

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

Islamic derivative financial instruments

Credit risk arising from Islamic derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitments risks

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

The maximum exposure to credit risk for the components of the statement of financial position, including derivative financial instruments, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

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

(In thousands of tenge)

26. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

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

		Neither past due nor impaired	
2015	*Notes*	*Standard grade*	*Total*
Cash and cash equivalents (excluding cash on hand)	6	**11,625,984**	**11,625,984**
Receivables under commodity murabaha agreements	8	**10,226,273**	**10,226,273**
Wakala investment deposits	9	**1,841,428**	**1,841,428**
Ijara	10	**561,903**	**561,903**
Other financial assets	14	**33,256**	**33,256**
Total		24,288,844	24,288,844

		Neither past due nor impaired	
2014	*Notes*	*Standard grade*	*Total*
Cash and cash equivalents (excluding cash on hand)	6	1,599,318	1,599,318
Receivables under commodity murabaha agreements	8	7,596,243	7,596,243
Wakala investment deposits	9	2,615,649	2,615,649
Ijara	10	1,010,137	1,010,137
Other financial assets	14	50,312	50,312
Total		12,871,659	12,871,659

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products, the rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

Impairment assessment

The main considerations for the impairment assessment of receivables from Islamic finance activities include whether any payments on those receivables are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

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

Collectively assessed allowances

Allowances are assessed collectively for losses on receivables from Islamic finance activities that are not individually significant and for individually significant receivables where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

(In thousands of tenge)

26. Risk management (continued)

Credit risk (continued)

Collectively assessed allowances (continued)

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 of the following information: historical losses on the portfolio, current economic conditions, the expected delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by risk management to ensure alignment with the Bank's overall policy.

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

	2015		
	Kazakhstan	*UAE*	*Total*
Assets			
Cash and cash equivalents	4,005,687	7,961,008	11,966,695
Islamic derivative financial instruments	1,859,953	–	1,859,953
Receivables under commodity murabaha agreements	10,219,577	–	10,219,577
Wakala investment deposits	1,841,428	–	1,841,428
Ijara	561,903	–	561,903
Other financial assets	33,256	–	33,256
	18,521,804	7,961,008	26,482,812
Liabilities			
Amounts due to other banks	2,741,229	–	2,741,229
Amounts due to customers	4,577,786	–	4,577,786
International reverse murabaha	6,130,516	–	6,130,516
Other financial liabilities	11,038	–	11,038
	13,460,569	–	13,460,569
Net assets	5,061,235	7,961,008	13,022,243

	2014		
	Kazakhstan	*UAE*	*Total*
Assets			
Cash and cash equivalents	804,310	885,223	1,689,533
Islamic derivative financial instruments	231,163	–	231,163
Receivables under commodity murabaha agreements	7,522,559	–	7,522,559
Wakala investment deposits	2,590,278	–	2,590,278
Ijara	1,000,338	–	1,000,338
Other financial assets	50,312	–	50,312
	12,198,960	885,223	13,084,183
Liabilities			
Amounts due to customers	1,800,630	–	1,800,630
Other financial liabilities	35,416	–	35,416
	1,836,046	–	1,836,046
Net assets	10,362,914	885,223	11,248,137

Liquidity risk and funding management

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

The Bank maintains a portfolio of diverse assets whose term to maturity provide sufficient liquidity to manage unforeseen interruptions of cash flow. The Bank also has committed lines of credit that it can assess to meet liquidity needs. In addition, the Bank maintains a cash deposit (obligatory reserve) with the NBRK, the amount of which depends on the level of customer funds attracted.

(In thousands of tenge)

26. Risk management (continued)

Liquidity risk and funding management (continued)

The liquidity position is assessed and managed by the Bank primarily based on certain liquidity ratios established by the NBRK.

Analysis of financial liabilities by remaining contractual maturities

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

As at 31 December 2015	*Less than 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to other banks	**2,741,229**	**–**	**–**	**–**	**2,741,229**
Amounts due to customers	**4,577,786**	**–**	**–**	**–**	**4,577,786**
International reverse murabaha	**6,150,220**	**–**	**–**	**–**	**6,150,220**
Other financial liabilities	**–**	**11,038**	**–**	**–**	**11,038**
Total undiscounted financial liabilities	**13,469,235**	**11,038**	**–**	**–**	**13,480,273**

As at 31 December 2014	*Less than 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Financial liabilities					
Amounts due to customers	1,800,630	–	–	–	1,800,630
Other financial liabilities	15,841	19,475	100	–	35,416
Total undiscounted financial liabilities	1,816,471	19,475	100	–	1,836,046

The table below shows the contractual maturity of the Bank's financial commitments and contingencies. Each undrawn commitment on receivable is included in the time band containing the earliest date it can be drawn down.

2015	*Less than 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Undrawn commitments on receivables from Islamic finance activities	**–**	**905,787**	**8,555,596**	**–**	**9,461,383**
Guarantees issued	**–**	**–**	**2,383,650**	**–**	**2,383,650**

2014	*Less than 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Undrawn commitments on receivables from Islamic finance activities	2,418,708	155,911	7,719,936	–	10,294,555
Guarantees issued	219,781	117,130	2,376,363	–	2,713,274

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

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

In accordance with the Kazakhstan legislation, the Bank is obliged to repay term deposits of individuals upon demand of a depositor. However, the Bank is not obliged to return utilised portion of wakala and mudaraba deposits, except when the deposit is lost due to misconduct, negligence or violation of the conditions agreed upon by the Bank, in which case, such losses would be borne by the Bank. For further information on liquidity risk, see *Note 28*.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as foreign exchange rates and profit rates.

(In thousands of tenge)

26. Risk management (continued)

Market risk (continued)

Profit rate risk

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

Profit rate sensitivity analysis

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

	2015		*2014*	
Inflation	***Increase in basis points by***	***Sensitivity of net profit income***	***Increase in basis points by***	***Sensitivity of net profit income***
Currency				
KZT	**100**	**40,958**	100	28,223

Inflation	***Decrease in basis points by***	***Sensitivity of net profit income***	***Decrease in basis points by***	***Sensitivity of net profit income***
Currency				
KZT	**(100)**	**(40,958)**	(100)	(28,223)

Currency risk

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

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

As at 31 December 2015	***KZT***	***USD***	***RUB***	***EUR***	***AED***	***Total***
Cash and cash equivalents	**2,007,432**	**6,513,531**	**–**	**258,080**	**3,187,652**	**11,966,695**
Islamic derivative financial instruments	**1,859,953**	**–**	**–**	**–**	**–**	**1,859,953**
Receivables under commodity murabaha agreements	**7,128,200**	**3,091,377**	**–**	**–**	**–**	**10,219,577**
Wakala investment deposits	**1,841,428**	**–**	**–**	**–**	**–**	**1,841,428**
Ijara	**561,903**	**–**	**–**	**–**	**–**	**561,903**
Property and equipment	**267,370**	**–**	**–**	**–**	**–**	**267,370**
Intangible assets	**10,541**	**–**	**–**	**–**	**–**	**10,541**
Deferred corporate income tax assets	**7,106**	**–**	**–**	**–**	**–**	**7,106**
Other assets	**67,916**	**106**	**–**	**–**	**–**	**68,022**
Total assets	**13,751,849**	**9,605,014**	**–**	**258,080**	**3,187,652**	**26,802,595**
Liabilities						
Amounts due to other banks	**–**	**–**	**–**	**–**	**2,741,229**	**2,741,229**
Amounts due to customers	**776,506**	**3,545,023**	**–**	**247,914**	**8,343**	**4,577,786**
International reverse murabaha	**–**	**6,130,516**	**–**	**–**	**–**	**6,130,516**
Unamortised commission income	**3,394**	**15,681**	**–**	**–**	**–**	**19,075**
Current corporate income tax liabilities	**44,809**	**–**	**–**	**–**	**–**	**44,809**
Other liabilities	**47,230**	**122,847**	**–**	**199**	**–**	**170,276**
Total liabilities	**871,939**	**9,814,067**	**–**	**248,113**	**2,749,572**	**13,683,691**
	12,879,910	**(209,053)**	**–**	**9,967**	**438,080**	**13,118,904**
Islamic derivative financial instruments	**(1,989,570)**	**3,740,110**	**–**	**–**	**–**	**1,750,540**
Net position	**10,890,340**	**3,531,057**	**–**	**9,967**	**438,080**	**14,869,444**

(In thousands of tenge)

26. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2014:

As at 31 December 2014	*KZT*	*USD*	*RUB*	*EUR*	*AED*	*Total*
Cash and cash equivalents	759,499	817,487	27	87,462	25,058	1,689,533
Islamic derivative financial instruments	231,163	–	–	–	–	231,163
Receivables under commodity murabaha agreements	7,522,559	–	–	–	–	7,522,559
Wakala investment deposits	2,590,278	–	–	–	–	2,590,278
Ijara	1,000,338	–	–	–	–	1,000,338
Property and equipment	313,174	–	–	–	–	313,174
Intangible assets	7,123	–	–	–	–	7,123
Current corporate income tax assets	18,948	–	–	–	–	18,948
Other assets	123,822	365	–	–	–	124,187
Total assets	12,566,904	817,852	27	87,462	25,058	13,497,303
Liabilities						
Amounts due to customers	970,719	721,323	–	83,564	25,024	1,800,630
Unamortised commission income	15,232	9,749	–	–	–	24,981
Deferred corporate income tax liabilities	14,106	–	–	–	–	14,106
Other liabilities	150,344	100	–	110	–	150,554
Total liabilities	1,150,401	731,172	–	83,674	25,024	1,990,271
	11,416,503	86,680	27	3,788	34	11,507,032
Islamic derivative financial instruments	(1,989,570)	2,005,850	–	–	–	16,280
Net position	9,426,933	2,092,530	27	3,788	34	11,523,312

The table below indicates the currencies to which the Bank had significant exposure at 31 December on some monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against tenge, with all other variables held constant on the profit or loss (due to the fair value of currency sensitive certain monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase.

	2015		*2014*	
Currency	*Change in currency rate, in %*	*Effect on profit before tax*	*Change in currency rate, in %*	*Effect on profit before tax*
USD	**+60.00%**	**(465,223)**	+17.4%	(305,256)
EUR	**+60.00%**	**(5,980)**	+18.4%	(695)
AED	**+60.00%**	**(262,848)**	+17.4%	(6)

	2015		*2014*	
Currency	*Change in currency rate, in %*	*Effect on profit before tax*	*Change in currency rate, in %*	*Effect on profit before tax*
USD	**-20.00%**	**155,074**	-17.4%	305,256
EUR	**-20.00%**	**1,993**	-18.4%	695
AED	**-20.00%**	**87,616**	-17.4%	6

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal, Sharia and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations.

(In thousands of tenge)

26. Risk management (continued)

Operational risk (continued)

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk assigned to senior management within cash business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with Sharia, regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation.

Compliance with the Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit and Shaira Audit. The results of Internal Audit and Sharia Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board of Directors, Islamic Finance Principle Board and senior management of the Bank.

27. Fair values of financial instruments

At each reporting date, management of the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, management of the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Management of the Bank, in conjunction with the Bank's external appraisers also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of disclosing the fair values, the Bank determined classes of assets and liabilities based on the assets and liabilities nature, characteristics and risks as well as the hierarchy of fair value sources.

		Fair value measurement using			
As at 31 December 2015	*Date of valuation*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant non-observable inputs (Level 3)*	*Total*
Assets measured at fair value					
Islamic derivative financial instruments	31 December 2015	–	–	1,859,953	1,859,953
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2015	11,966,695	–	–	11,966,695
Receivables under commodity murabaha agreements	31 December 2015	–	10,105,792	–	10,105,792
Wakala investment deposits	31 December 2015	–	1,821,777	–	1,821,777
Ijara	31 December 2015	–	525,617	–	525,617
Other financial assets	31 December 2015	–	33,256	–	33,256
Liabilities for which fair values are disclosed					
Amounts due to other banks	31 December 2015	–	2,741,229	–	2,741,229
Amounts due to customers	31 December 2015	–	4,577,786	–	4,577,786
International reverse murabaha	31 December 2015	–	6,130,516	–	6,130,516
Other financial liabilities	31 December 2015	–	11,038	–	11,038

(In thousands of tenge)

27. Fair values of financial instruments (continued)

		Fair value measurement using			
As at 31 December 2014	*Date of valuation*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant non-observable inputs (Level 3)*	*Total*
Assets measured at fair value					
Islamic derivative financial instruments	31 December 2014	–	–	231,163	231,163
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2014	1,689,533	–	–	1,689,533
Receivables under commodity murabaha agreements	31 December 2014	–	7,495,560	–	7,495,560
Wakala investment deposits	31 December 2014	–	2,425,914	–	2,425,914
Ijara	31 December 2014	–	963,330	–	963,330
Other financial assets	31 December 2014	–	50,312	–	50,312
Liabilities for which fair values are disclosed					
Amounts due to customers	31 December 2014	–	1,800,630	–	1,800,630
Other financial liabilities	31 December 2014	–	35,416	–	35,416

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than 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.

Financial instruments with fixed and floating rates

If assets and liabilities are not measured at fair values but the fair value is disclosed in the financial statements, future cash flows are discounted at average market rate of financial instruments with similar maturities and risk characteristics. The source of the rates is the NBRK statistics.

The future cash flows are calculated by applying the weighted average profit rate of the financing portfolio to the principal amount as at the end of the reporting period. The following assumptions are applied by the Bank while determining the fair values:

1. The principal amount of the financial instrument is repaid at the weighted average maturity date of portfolio;
2. Profit payments are made evenly each year till weighted average maturity date of portfolio.

The above calculation is applied in determining the fair value of receivables under Islamic finance activities, amounts due from customers and amounts due from credit institutions.

(In thousands of tenge)

27. Fair values of financial instruments (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 Bank'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.

As at 31 December 2015	*Carrying value*	*Fair value*	*Unrecognised loss*
Financial assets			
Cash and cash equivalents	**11,966,695**	**11,966,695**	**–**
Receivables under commodity murabaha agreements	**10,219,577**	**10,105,792**	**(113,785)**
Wakala investment deposits	**1,841,428**	**1,821,777**	**(19,651)**
Ijara	**561,903**	**525,617**	**(36,286)**
Other financial assets	**33,256**	**33,256**	**–**
Financial liabilities			
Amounts due to other banks	**2,741,229**	**2,741,229**	**–**
Amounts due to customers	**4,577,786**	**4,577,786**	**–**
International reverse murabaha	**6,130,516**	**6,130,516**	**–**
Other financial liabilities	**11,038**	**11,038**	**–**
Total unrecognised change in unrealised fair value			**(169,722)**

As at 31 December 2014	*Carrying value*	*Fair value*	*Unrecognised loss*
Financial assets			
Cash and cash equivalents	1,689,533	1,689,533	–
Receivables under commodity murabaha agreements	7,522,559	7,495,560	(26,999)
Wakala investment deposits	2,590,278	2,425,914	(164,364)
Ijara	1,000,338	963,330	(37,008)
Other financial assets	50,312	50,312	–
Financial liabilities			
Amounts due to customers	1,800,630	1,800,630	–
Other financial liabilities	35,416	35,416	–
Total unrecognised change in unrealised fair value			(228,371)

Movements in level 3 assets and liabilities at fair value

The following tables show a reconciliation of the opening and closing amount of Level 3 assets and liabilities which are recorded at fair value:

	Islamic derivative financial instruments	
	2015	*2014*
Assests		
At 1 January	**231,163**	–
Total gain recorded in profit or loss	**1,628,790**	24,444
Issues	**–**	206,719
At 31 December	**1,859,953**	231,163

During 2015 and 2014, there were no transfers between levels of the fair value hierarchy.

Gains or losses on level 3 financial instruments included in the profit or loss for the period comprise:

	2015			*2014*		
	Realised gains/ (losses)	*Unrealised gains/ (losses)*	*Total*	*Realised gains/ (losses)*	*Unrealised gains/ (losses)*	*Total*
Total gains or losses included in profit or loss for the year	**–**	**1,628,790**	**1,628,790**	–	24,444	24,444

(In thousands of tenge)

28. Maturity analysis of assets and liabilities

The tables below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See *Note 26* "Risk management" for the Bank's contractual undiscounted repayment obligations.

	2015		
	Within one year	*More than one year*	*Total*
Cash and cash equivalents	**11,966,695**	**–**	**11,966,695**
Islamic derivative financial instruments	**–**	**1,859,953**	**1,859,953**
Receivables under commodity murabaha agreements	**9,279,573**	**940,004**	**10,219,577**
Wakala investment deposits	**–**	**1,841,428**	**1,841,428**
Ijara	**388,204**	**173,699**	**561,903**
Property and equipment	**–**	**267,370**	**267,370**
Intangible assets	**–**	**10,541**	**10,541**
Deferred corporate income tax assets	**–**	**7,106**	**7,106**
Other assets	**68,022**	**–**	**68,022**
Total	**21,702,494**	**5,100,101**	**26,802,595**
Amounts due to other banks	**2,741,229**	**–**	**2,741,229**
Amounts due to customers	**4,577,786**	**–**	**4,577,786**
International reverse murabaha	**6,130,516**	**–**	**6,130,516**
Unamortised commission income	**14,217**	**4,858**	**19,075**
Current corporate income tax liabilities	**44,809**	**–**	**44,809**
Other liabilities	**33,396**	**136,880**	**170,276**
Total	**13,541,953**	**141,738**	**13,683,691**
Net	**8,160,541**	**4,958,363**	**13,118,904**

	2014		
	Within one year	*More than one year*	*Total*
Cash and cash equivalents	1,689,533	–	1,689,533
Islamic derivative financial instruments	–	231,163	231,163
Receivables under commodity murabaha agreements	6,769,965	752,594	7,522,559
Wakala investment deposits	–	2,590,278	2,590,278
Ijara	491,441	508,897	1,000,338
Property and equipment	–	313,174	313,174
Intangible assets	–	7,123	7,123
Current corporate income tax assets	18,948	–	18,948
Other assets	76,945	47,242	124,187
Total	9,046,832	4,450,471	13,497,303
Amounts due to customers	1,800,630	–	1,800,630
Unamortised commission income	6,602	18,379	24,981
Deferred corporate income tax liabilities	–	14,106	14,106
Other liabilities	110,172	40,382	150,554
Total	1,917,404	72,867	1,990,271
Net	7,129,428	4,377,604	11,507,032

29. Related party disclosures

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

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

(In thousands of tenge)

29. Related party disclosures (continued)

The outstanding balances of related party transactions are as follows:

	31 December 2015		31 December 2014	
Statement of financial position	***Shareholder***	***Key management personel***	***Shareholder***	***Key management personel***
Cash and cash equivalents	**7,961,008**	**–**	885,223	–
Amounts due to customers	**137**	**76,682**	–	202,326

	31 December 2015		31 December 2014	
Off balance sheet	***Shareholder***	***Key management personel***	***Shareholder***	***Key management personel***
Wakala deposits from Banks	32,751,113	–	16,922,054	–

The income and expense arising from related party transactions are as follows:

	2015		2014	
	Shareholder	***Entities under common control***	***Shareholder***	***Entities under common control***
Expense from Islamic finance activities	**(356,235)**	**–**	(162,863)	–
Rent expense	**–**	**(44,400)**	–	(44,400)

Compensation of eighth (2014: nine) members of key management personnel comprise:

	2015	*2014*
Salaries and other short-term benefits	**126,001**	130,707
Social security costs	**12,525**	12,946
Total key management personnel compensation	**138,526**	143,653

30. Capital adequacy

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

As at 31 December 2015, the Bank had complied in full with all its externally imposed capital requirements.

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

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

The NBRK requires the Bank to maintain a capital adequacy ratio (Tier 1) not less than 6% of the total assets and a capital adequacy ratio (Tier 2) not less than 7.5% of risk weighted assets, computed based on the requirement. As at 31 December 2015 and 2014, the Bank's capital adequacy ratio on this basis exceeded the required minimum.

(In thousands of tenge)

30. Capital adequacy (continued)

As at 31 December 2015 and 2014, the capital adequacy ratios of the Bank calculated in accordance with the requirements of the NBRK were as follows:

	2015	*2014*
Tier 1 capital		
Share capital	**10,732,338**	10,732,338
Retained earnings	**774,694**	197,172
Total tier 1 capital	**11,507,032**	10,929,510
Tier 2 capital		
Net income of the current year	**1,230,403**	559,200
	1,230,403	559,200
Total capital base	**12,737,435**	11,488,710
Risk weighted assets		
Credit risk	**18,661,481**	14,951,650
Market risk	**446,928**	8,923
Operational risk	**540,994**	–
Total risk weighted assets	**19,649,403**	14,960,573
Capital ratios		
Total capital expressed as a percentage of total risk weighted assets	**65%**	77%
Tier 1 capital expressed as a percentage of total risk weighter assets	**59%**	73%

31. Zakah

The Articles of Association of the Bank do not require management of the Bank to pay zakah on behalf of the Shareholder. Consequently, the zakah obligation is to be discharged by the Shareholder.