

KDIF

ҚАЗАҚСТАННЫҢ ДЕПОЗИТТЕРГЕ
КЕПІЛДІК БЕРУ ҚОРЫ

KAZAKHSTAN DEPOSIT
INSURANCE FUND

ANNUAL REPORT

2015







At the 14th Annual General Meeting of the International Association of Deposit Insurers in Kuala- Lumpur (Malaysia) in October 2015 Kazakhstan Deposit Insurance Fund JSC was granted the prestigious award of the International Association of Deposit Insurers "Deposit Insurance Organization of the year 2015" in the nomination "Achievements in Resolutions and Payouts".

The International Association of Deposit Insurers (IADI) noted such KDIF's achievements as the efficiency of the procedures for payouts to insured depositors, maturity of the legislation governing deposit coverage payouts, terms of reimbursement procedures, as well as the KDIF's mandates in terms of commercial problem banks' resolution aimed at protecting rights and lawful interests of individual insured depositors.

Unprecedented in the world KDIF's achievement consisting in payment of additional compensation to the majority of insured depositors of "Valut-Tranzit Bank" JSC eligible for obtaining additional compensation, within quite a short timeframe, taking into account the increase in the deposit coverage limit from 700 thousand tenge to 5 mln. tenge, benefited from the highest IADI's commendation.

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LIST OF ABBREVIATIONS

DIS	Mandatory deposit insurance system
FAK	Financiers' Association of Kazakhstan
IADI, the Association	International Association of Deposit Insurers
JSC	Joint Stock Company
KDIF	Kazakhstan Deposit Insurance Fund JSC; organization which mandatorily insures individuals' deposits
Member-banks	Banks – members of the mandatory deposit insurance system
National Bank, NBRK	National Bank of the Republic of Kazakhstan (Central Bank of Kazakhstan)

MESSAGE FROM THE CHAIRMAN



DEAR COLLEAGUES AND PARTNERS!

Last year Kazakhstani deposit insurance system turned 16. The reporting year has been full of significant events and one of the major ones was the signing by the Head of State of the Law of the Republic of Kazakhstan "On making amendments and additions to some legislative acts of the Republic of Kazakhstan on insurance and Islamic finance" (hereinafter - the Law) at the end of April 2015, whereby the maximum coverage limit for individuals' deposits nominated in the national currency and placed with banks-members of the deposit insurance system, increased from 5 million tenge to 10 million tenge. This measure was taken within the framework of the initiatives package of the National (Central) Bank of Kazakhstan and the Kazakhstani government, aimed at lessening the dollarization extent of the Kazakhstani economy and increasing the attractiveness of household bank savings in the national currency tenge.

In addition, in mid-July 2015 the President of the Republic of Kazakhstan also signed the Law "On making amendments and additions to several legislative acts of Kazakhstan on strengthening protection of property rights, providing guarantees for protecting contractual obligations and toughening liability for their violation" (the Law), providing for additional coverage payouts to the depositors of "Valut Transit Bank" JSC in the amount of the deposit's balance up to 5 million tenge. The KDIF actively participated in the development of this Law's draft in close collaboration with the special initiative group consisting of the bank's depositors. Under this Law the following unprecedented practice in the global deposit insurance experience was implemented: each individual depositor whose deposits placed with "Valut-Tranzit Bank" JSC

exceeded the amount of 700 thousand tenge was paid an additional deposit coverage from the KDIF's special reserve fund. From August till December, 2015 additional deposit coverage was paid to about 4 thousand depositors of "Valut-Transit Bank" JSC or to more than 80% of the total number of individual depositors eligible for being reimbursed.

It must be emphasized that the implementation of these measures helped ease social tensions and significantly strengthen public confidence in the domestic banking sector.

The KDIF's achievements received a notable recognition by the International Association of Deposit Insurers -- in October 2015 KDIF received the prestigious IADI award "Deposit insurance organization of the year 2015" in the nomination "Achievements in Resolutions and Payouts" at the 14th IADI Annual General Meeting.

On August 20, 2015 the National (Central) Bank of Kazakhstan jointly with the Kazakhstani Government made a decision to transition to the floating exchange rate mechanism of the national currency in order to implement the new monetary policy based on inflation targeting, as well as with the goal of maintaining amounts of the foreign exchange reserves of the Central Bank of the Republic of Kazakhstan and promoting domestic exports.

In this connection, in order to enforce the orders of the President of the Republic of Kazakhstan to reduce the depositors' losses due to exchange rate fluctuations and to implement the mechanism of compensating individuals' term deposits nominated in tenge as of August 18, 2015 with the amount of the balance not exceeding 1 million tenge, the National (Central) Bank of Kazakhstan approved the procedure for compensating individuals' deposits nominated in local currency. It should be emphasized that the KDIF took an active part in the development of a mechanism aimed at compensating for exchange rate differences and the Terms of compensating exchange rate differences in August-September

2015. In addition, the KDIF also actively participated in the working group's meetings of the Central Bank of Kazakhstan on the issues of compensating exchange rate fluctuations, as well as in the meetings on this issue held at the offices of the Financiers' Association of Kazakhstan.

With regard to the financial statements on the KDIF's operating activities, as of the end of the last year, the amount of the KDIF's special reserve fund, excluding 70% of the KDIF's authorized capital composed KZT 270.1 billion, including the total amount of mandatory calendar premiums paid by the DIS member-banks equal to 170.1 billion tenge. KDIF's total income for the year composed about 76 billion tenge (about 63%) which is more than 4 times the similar figure over the last year. Such a significant increase in the KDIF's total revenue was due to the appreciation of the US dollar against the local currency in the second half of 2015. Current aggregate value of the KDIF's assets increased by 107.3 billion tenge over the reporting year, or by almost 26%. During the liquidation proceedings liquidation commissions of the two failed banks settled their obligations to the KDIF in the total amount of about 9.5 billion tenge.

In the years to come the KDIF will continue its close collaboration with the Central Bank of Kazakhstan, member-banks of the local mandatory deposit insurance system, the Financiers' Association of Kazakhstan, as well as with the International Association of Deposit Insurers (IADI) with the major goal of implementing strategic development directions of the Kazakhstani deposit insurance system, improving national legislation, as well as optimizing and accelerating different KDIF's business processes and procedures, taking into account the global best practices.

Best regards,
Bakyt Kogulov

*Chairman of Kazakhstan
Deposit Insurance Fund JSC*

ABOUT THE KDIF

KDIF

ҚАЗАҚСТАННЫҢ ДЕПОЗИТТЕРГЕ
КЕПІЛДІК БЕРУ ҚОРЫ

KAZAKHSTAN DEPOSIT
INSURANCE FUND

The need for creating a mechanism ensuring protection of the individuals' bank deposits became a priority for Kazakhstan and its banking sector after the global financial crisis of 1998. Thus, at the first Congress of Financiers of Kazakhstan the President of the Republic of Kazakhstan, Mr. Nursultan Nazarbayev, proposed to develop and implement a range of complex systemic measures aimed at maintaining stability of the Kazakhstani financial system. And development of the collective insurance system for individuals' deposits became one of the above measures.

As a result, in November 1999 Kazakhstan Deposit Insurance Fund JSC was established. The National (Central) Bank of Kazakhstan is the KDIF's founder and sole shareholder. The KDIF is a non-profit organization, i.e. it does not charge and does not pay dividends on its shares.

MISSION

Contribute to securing stability of the banking sector of the Republic of Kazakhstan and maintaining public confidence in it by means of insuring individuals' deposits.

VISION

Provide for highly effective operations of the Kazakhstani deposit insurance system compliant with the IADI Core Principles for the Effective Deposit Insurance Systems in order to maintain public confidence in the security of their bank savings and in the country's banking sector as a whole.

STRATEGIC OBJECTIVES:

- ▶ The implementation of the Concept for development of the Kazakhstani financial sector until 2030 (within the KDIF's purview) through the improvement of legislation on mandatory deposit insurance, in particular with regard to legislative recognition of the KDIF's liquidation and resolution of troubled banks' functions;
- ▶ Ensuring the KDIF's operational readiness to exercise its core functions of the timely and correct payouts of deposit coverage to depositors in the event of problem banks' forced liquidation;
- ▶ Improving mechanisms for replenishment of the KDIF's special reserve fund and increasing the KDIF's financial stability;
- ▶ Analyzing expediency of implementing an Integrated Protection Scheme for consumers of financial services providing guarantees for deposits placed in both conventional and Islamic banks, as well as for certain insurance types;
- ▶ Extension of guarantees on current accounts of certain legal entities' categories (socially significant small business groups);
- ▶ Strengthening analysis of risks and enhancing control over the KDIF's operations;
- ▶ Enhancing public awareness activities and initiatives aimed at improving depositors' understanding of the major principles of the KDIF's operations and functions.

CORE FUNCTIONS:

- ▶ Payouts of the deposit coverage to individual depositors in the event of the member-bank's forced liquidation;
- ▶ Accumulation of the special reserve fund for payouts of the deposit coverage;
- ▶ Investment management of the KDIF's assets;
- ▶ Establishing requirements to the DIS member-banks on the automated management of insured deposits' databases, followed by the compliance verifications of the automated databases on the member-banks' insured deposits to the KDIF's standard requirements, stipulated in the Contract of Adhesion;

- ▶ Participation in the failed bank's temporary administration during the period of a member bank's conservatorship;
- ▶ Participation in the failed bank's temporary administration appointed for the period of withdrawal of the member-bank's license for conducting all banking transactions;
- ▶ Participation in the forcibly liquidated bank's liquidation commission and creditors' committee;
- ▶ Maintaining a full list of banks - members of the mandatory deposit insurance system (DIS);
- ▶ Selection of an agent bank for payouts of deposit coverage on a tender basis.

BASIC PRINCIPLES:

- ▶ Mandatory membership of banks engaged in acceptance of deposits, opening and maintaining individuals' bank accounts in the mandatory deposit insurance system;
- ▶ Ensuring maximum transparency of the mandatory deposit insurance system;

- ▶ Minimization of risks associated with the mandatory deposit insurance system's functioning;
- ▶ The cumulative nature of the generation of the special reserve fund intended for the deposit coverage payouts.

THE AMOUNT OF DEPOSIT COVERAGE LIMIT AND THE SCOPE OF COVERAGE

The amount of deposit coverage limit equals to 10 million tenge for deposits denominated in national currency and to 5 million tenge for deposits denominated in any foreign currency, per depositor per bank.

All individuals' deposits placed in the second-tier banks of the Republic of Kazakhstan, with the exception of non-interest bearing call deposits and investment deposits placed with Islamic banks, are the objects of coverage.

WORKING WITH THE INTERNATIONAL PROFESSIONAL COMMUNITY

Since 2003 KDIF has been a permanent member of the International Association of Deposit Insurers (IADI).

In addition, the KDIF also actively participates in the following sub-committees of the IADI Research and Guidance Committee:

- ▶ Research and Guidance Committee,
- ▶ Training and Conference Committee,
- ▶ Data and Survey Committee,
- ▶ Committee for the resolution of troubled financial institutions,
- ▶ Membership and Communications Committee.

- ▶ P&A subcommittee,
- ▶ Sub-committee for the bail-in and its implications on funding,
- ▶ Recoveries Subcommittee,
- ▶ Subcommittee on the deposit insurance fund target ratio.

In addition, KDIF is also a member of the Islamic Deposit Insurance Group and of the Steering Committee for the revision of the IADI Core Principles for the Effective Deposit Insurance Systems.





DEVELOPMENT OF THE KAZAKHSTANI DEPOSIT INSURANCE SYSTEM IN 2015

On April 27, 2015 the President of the Republic of Kazakhstan signed the Law of the Republic of Kazakhstan "On amendments and addenda to several legal acts of the Republic of Kazakhstan on insurance and Islamic finance" (hereinafter - the Law). In accordance with the Law, the deposit coverage limit for reimbursing individuals' deposits placed in member-banks of the mandatory deposit insurance system in the national currency increased from 5 million tenge to 10 million tenge.

On July 17, 2015 the Head of state signed the Law of the Republic of Kazakhstan "On amendments and addenda to several legal acts of the Republic of Kazakhstan on strengthening protection of property rights, insuring protection of contractual obligations and enforcing responsibility for their violation", which provides for additional deposit coverage payouts to the depositors of "Valut-Transit Bank" JSC. Under this law, each of depositors whose deposit placed with the "Valut-Transit Bank" JSC exceeded 700 thousand tenge (i.e., the deposit coverage limit at the time of enactment of the decision on the forced liquidation of "Valut-Transit Bank" JSC), will be paid an additional deposit coverage. The total amount of deposit coverage paid to the failed bank's depositors should not exceed 5 million tenge per depositor.

Within fourteen working days from the date of enactment of the above document (on August 5, 2015) the KDIF informed the public about the beginning of deposit coverage payouts from August 10, 2015 indicating the name of the agent bank - "Bank CenterCredit" JSC (which will exercise the deposit coverage payouts as a result of the tender for selecting an agent bank), period and location(s) of deposit coverage payouts, by means of publication of a special informational announcement in the national newspapers "Egemen Kazakhstan" and "Kazakhstanskaya Pravda", as well as on the KDIF's own website.

CHANGES IN THE COMPOSITION OF THE DEPOSIT INSURANCE SYSTEM'S MEMBER-BANKS.

In the reporting year "Temirbank" JSC and "ABC Bank" JSC were excluded from the mandatory deposit insurance system as a result of a voluntary restructuring through their voluntary merger with "Forte Bank" JSC.

In addition, "BTA Bank" JSC was also excluded from the mandatory deposit insurance system due to the voluntary return of its license for accepting individuals' deposits, opening and maintaining individuals' bank accounts to the authorized regulatory agency.

"Bank Astana-Finance" JSC was renamed to "Bank Astana" JSC.

Thus, as of December 31, 2015 34 banks were members of the mandatory deposit insurance system out of the total number of 35 commercial banks in Kazakhstan (with the exception of the "Islamic Bank "Al-Hilal").

THE PAYMENT OF COMPENSATION ON INDIVIDUALS' DEPOSITS IN NATIONAL CURRENCY (TENGE) DUE TO THE TRANSITION TO THE FLOATING CURRENCY EXCHANGE RATE MECHANISM.

In order to implement the orders of the President of the Republic of Kazakhstan given at the meeting of 20 August, 2015 on further economic policy measures designed to reduce the financial losses of population due to currency exchange rate fluctuations and the introduction of compensation mechanism for the individuals' term deposits in tenge opened as of August 18, 2015 with the account's balance not exceeding 1 million tenge, the National (Central) Bank of the Republic of Kazakhstan adopted the procedure and terms for paying compensation on individuals' deposits in national currency (tenge) in light of the transition to the floating currency exchange rate mechanism. Later amendments to this procedure were made specifying the specific terms of the compensation mechanism. In August - September 2015 KDIF took an active part in the development of the mechanism

for compensating exchange rate fluctuations in individuals' deposits placed in tenge in the amount not exceeding 1 million tenge. In particular, the KDIF actively participated in amending the resolution №371 of the Governor of the National Bank of Kazakhstan as of August 21, 2015 "On Convening a Working Group for Compensating Currency Exchange Rate Fluctuations on Individuals' Term Deposits in the National Currency of the Republic of Kazakhstan". The KDIF also kept up correspondence on this matter with the National Bank of Kazakhstan and the Financiers' Association of Kazakhstan. Furthermore, KDIF also participated in meetings of the above working group of the National Bank of Kazakhstan on compensation of currency exchange rate fluctuations on individuals' term deposits in tenge, as well as in meetings regarding this issue held through the platform of the Financiers' Association of Kazakhstan.

DEVELOPMENT OF THE DIFFERENTIAL PREMIUM SYSTEM FOR MANDATORY CALENDAR PREMIUMS

In 2015 revision of the KDIF's methodology for the calculation of the differential mandatory premium rates within the framework of the special joint working group whose members were representatives from banks - members of the KDIF's Advisory Council and the National (Central) Bank of the Republic of Kazakhstan (namely, from its Banking Supervision Department, Financial Stability and Risk Management Department, Research and Strategic Analysis Department) was resumed. The core objective of this working group is a comprehensive revision and improvement of the Methodology for calculating differential rates of the member-banks' mandatory calendar premiums.

Within the framework of this activity KDIF conducted statistical testing of the existing and suggested potential indicators, carried out a threshold analysis to determine the indicators' threshold values in 2015. This work's outcomes were discussed

with the members of the working group during its meetings. The above working group's meetings were held in June, September and November of the reporting year, where the results of statistical testing of existing and proposed indicators, as well as indicators' threshold values calculated on the basis of carried out threshold analysis were discussed, also factors causing deterioration of the bank's financial standing were considered in accordance with the Rules for implementing early response measures and methodology for determining the factors causing deterioration of the second-tier banks' financial standing, approved by the Resolution №68 of the Board of the National Bank of Kazakhstan as of April 23, 2014 for their application within threshold values of quantitative indicators and/or qualitative indicators. In November 2015 the results of the working group's operations were summarized at its closing session.

IMPROVEMENT OF THE NATIONAL LEGISLATION

The implementation of the goals, objectives and functions of the local mandatory deposit insurance system is stipulated in the Constitution of the Republic of Kazakhstan, the Civil Code of the Republic of Kazakhstan, legal acts of the National Bank of the Republic of Kazakhstan, the decisions of the KDIF's sole shareholder (the National Bank) and the KDIF's Board of Directors. In this context, the KDIF is actively involved in the development of the legal framework for the deposit insurance. During the reporting year KDIF, within the scope of its competence, was involved in the development of the following legal documents:

- ▷ Draft Law of the Republic of Kazakhstan "On amendments and addenda to several legal acts of the Republic of Kazakhstan on strengthening protection of property rights, insuring protection of contractual obligations and enforcing responsibility for their violation", whereby deposit coverage payouts within the new deposit coverage limit in the amount of 5 mln. tenge per depositor was extended to the individual depositors of banks forcibly liquidated from January 1, 2007 to January 1, 2012, i.e. to the individual depositors of "Valut-Transit Bank" JSC;
- ▷ Draft Law of the Republic of Kazakhstan "On amendments and addenda to several legal acts of the Republic of Kazakhstan on non-performing loans and assets of commercial banks, providing financial services and operations of financial institutions and the National (Central) Bank of the Republic of Kazakhstan."

Furthermore, within the general framework of the overall national deposit insurance system's development the KDIF was actively involved in different activities supervised by the National Bank of Kazakhstan in the reporting year, in particular:

- ▷ development of the Rules for procurement of goods, works and services by the National Bank of the Republic of Kazakhstan and legal entities in respect of which it is a founder (authorized body) or shareholder;
- ▷ discussion of controversial issues concerning the forcibly liquidated "Valut-Tranzit Bank" JSC;
- ▷ improvement of procedures related to selecting an agent bank for exercising deposit coverage payouts to the forcibly liquidated DIS member-bank's depositors;
- ▷ increasing the deposit coverage limit on individuals' deposits in national currency from 5 to 10 million tenge;
- ▷ resolving the issue of granting access to information (data) containing bank secrecy for the purposes of fulfilling KDIF's tasks and mandates;
- ▷ development of a legal act on the compensation of population's losses on their retail deposits in the national currency (tenge) due to currency exchange rate fluctuations, conditioned by the transition to the floating currency exchange rate mechanism.

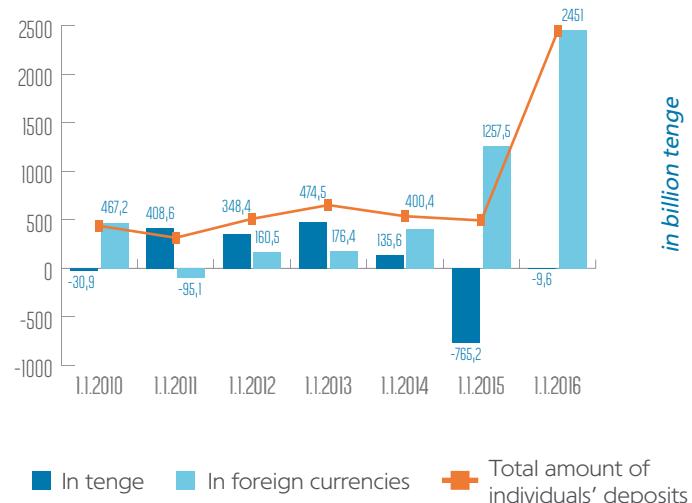
OVERVIEW OF THE RETAIL DEPOSITS MARKET

As of January 1, 2016 the total amount of individuals' deposits placed in member-banks of the national deposit insurance system amounted to 6,9 trillion tenge, having increased by 2,4 trillion tenge or 55% from the beginning of the reporting year. This increase was mainly due to the revaluation of foreign currency deposits due to the transition to the freely floating currency exchange rate regime of the national currency within the framework of the new monetary policy's implementation based on inflation targeting mechanism.

Also, household bank savings continued to migrate from the deposits in national currency to the foreign currency deposits in the reporting year. Reduction of the total amount of deposits in tenge for the year composed 0.7% (or -9.6 billion tenge), while increase in foreign currency deposits amounted to 82%, or 2 451 billion tenge. The share of retail deposits in the national currency totaled 21% at the end of the reporting year, whereas it was 33% in the end of 2014, whereas the share of retail deposits in foreign currency – 79% against 67% in 2014.

At the end of the reporting year the following commercial banks were included in the top 5 banks as per the total amount of individual deposits placed therein: "Kazkommertsbank" JSC with a total share of 20.7% of the aggregate amount of the individual deposits placed with all the DIS member-banks and the annual increase in retail deposits of 729.9 billion tenge or about 2 times, "Halyk Bank Kazakhstan" JSC with a total market share of 20.6% (annual increase of 512.2 billion tenge or by 56.6%), "Kaspi Bank" JSC with a total market share of 9.4% (annual increase of 233.3 bln. tenge or by 56.1%), "Bank CenterCredit" JSC with a total market share of 8% (annual increase of 213.3 billion tenge or by 63.9%), and "Tsesna Bank" JSC with a total market share of 7.3 % (annual increase of 232.7 billion tenge or by 85.4%).

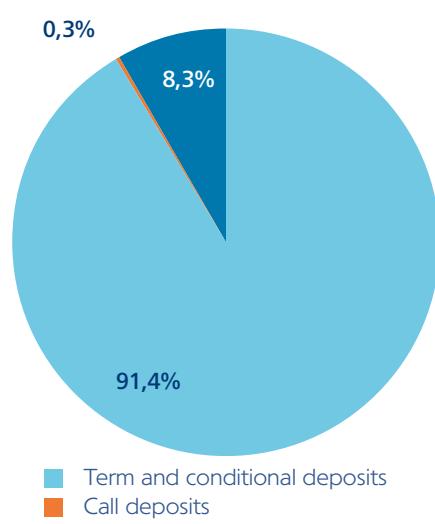
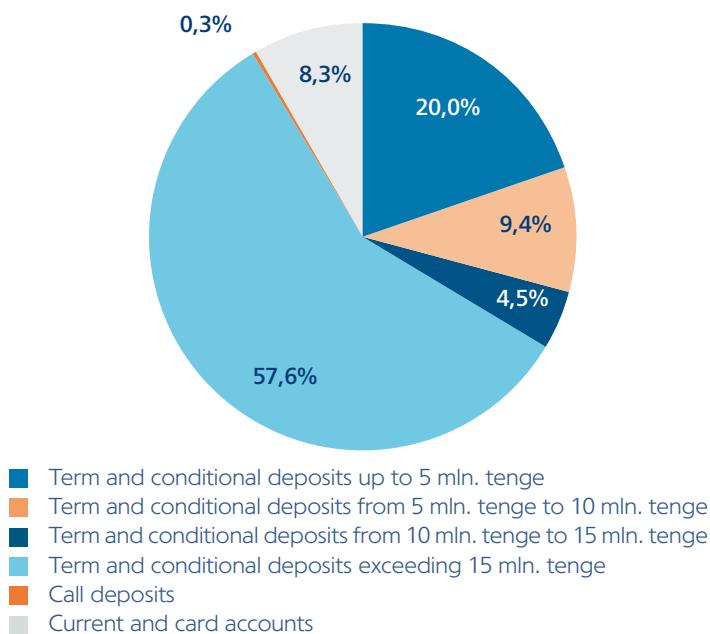
Dynamics of retail deposits in tenge and in foreign currencies



COMPOSITION OF RETAIL DEPOSITS AS PER THEIR MAJOR CATEGORIES AT JANUARY 1, 2016

According to the information on individuals' deposits submitted by the DIS member-banks to the KDFI, as of January 1, 2016 term and conditional deposits accounted for the biggest share in the total amount of individuals' deposits placed with commercial banks and composed 6.3 trillion tenge with a share of 91.4%, showing annual growth of 2.3 trillion tenge or by 58.9% over the reporting year. This is followed by the balances on current and card accounts with the share in the total individuals' deposit portfolio of 8.3% and an annual increase of 111.2 billion tenge. The aggregate amount of call deposits accounted for 0.3% of total deposits, their amount decreased by 545.5 million tenge over the reporting year.

The growth in the total retail deposits' amount was mainly due to the increase of large term deposits in foreign currencies in the amounts exceeding 15 million KZT about two times or by 1.9 trillion tenge. At the same time, the net annual growth of large term deposits in the amounts exceeding 15 million tenge composed 1.8 trillion tenge (or 86.7%) due to the decrease of such deposits in tenge by 62 billion tenge. The growth of term deposits in the amounts up to 5 million tenge composed 68.3 billion tenge (or 5.2%), the one of term deposits in the amounts from 5 to 10 million tenge – 266.6 billion tenge (or 70.4%), the one of term deposits in the amounts from 10 to 15 million tenge – 157.3 billion tenge (or 103.6%).



CORPORATE GOVERNANCE

The National Bank of Kazakhstan is the KDIF's founder, its sole shareholder and supreme governing body.

According to the KDIF's Charter, decisions on all matters falling within the scope of competence of the KDIF's sole shareholder are made by the Deputy Governor of the National Bank of the Republic of Kazakhstan, Mr. Oleg Smoliakov.

At the end of 2015 the KDIF's Board of Directors consisted of 7 members, including 3 independent directors and the KDIF's Chairman.

COMPOSITION OF THE KDIF'S BOARD OF DIRECTORS
(at the end of 2015)

Mr. Galimzhan Pirmatov – Chairman of the KDIF's Board of Directors, Deputy Governor of the National Bank of the Republic of Kazakhstan

Mr. Vitaliy Tutushkin – Director of the Research and Statistics Department of the National Bank of the Republic of Kazakhstan

Mr. Nurlan Abdurakhmanov – Director of the Methodology for Control and Supervision Department of the National Bank of the Republic of Kazakhstan

Mr. Bakyt Kogulov – Chairman of Kazakhstan Deposit Insurance Fund JSC

Mr. Beisenbek Ziyabekov – independent director

Ms. Slava Sizova – independent director

Mr. Serik Akhanov – independent director

As of the end of 2015 the KDIF's Board of Directors had three functioning committees:

1. Strategic Planning and Internal Audit Committee;
2. Risk Management Committee;
3. Human Resources, Remuneration and Social Affairs Committee.

In 2015 the KDIF's Board of Directors held seven meetings, including five in-person meetings and two meetings by absentee voting.

RESULTS OF THE KDIF'S BOARD OF DIRECTORS ACTIVITIES IN 2015

- The Regulations on the KDIF's Internal Audit Service and the rules of internal audit were approved.
- The Concept for Public Awareness activities of "Kazakhstan Deposit Insurance Fund" JSC for the years 2015-2016 was adopted.
- Amendments to the Annex 2 of the Rules for establishing compliance of the DIS member-banks' automated databases on insured deposits with the standard requirements of "Kazakhstan Deposit Insurance Fund" JSC, established by the Contract of Adhesion, were approved.
- Results of competitive tender for selecting an agent bank for exercising additional deposit coverage payouts to

individual depositors of "Valut-Tranzit Bank" JSC, held on July 31, 2015, were approved.

- Amendments and addenda to the rules for determining the amount and order of payment of mandatory calendar, additional and extraordinary premiums were approved.
- Amendments and addenda to the Contract of adhesion were adopted.
- Amendments to the Methodology for determining and establishing the maximum recommended interest rates on newly attracted individuals' deposits were approved.
- The sizes of the maximum interest rates on newly attracted individuals' deposits were considered and established.
- Amendments to the investment policy of "Kazakhstan Deposit Insurance Fund" JSC were made.
- The Corporate Development Plan of "Kazakhstan Deposit Insurance Fund" JSC for the years 2012-2016 was approved.

ADVISORY COUNCIL

KDIF's Advisory Council is a collegial consultative body within the KDIF's organizational structure representing the interests of the DIS member-banks, and made up from these banks' representatives.

The main objectives of the KDIF's Advisory Council are:

1. Considering and developing proposals on the major directions of improving the mandatory deposit insurance system of the Republic of Kazakhstan from the DIS member-banks' standpoint;
2. A preliminary review and analysis of the draft amendments to the Contract of adhesion, Rules for determining the amount and order of payment of mandatory calendar, additional and extraordinary premiums and other KDIF's acts and documents proposed to the KDIF's Board of Directors;
3. Making proposals to eliminate any ambiguities, discrepancies and contradictions that may arise while the DIS member-banks fulfill their obligations under the Contract of Adhesion (to the mandatory deposit insurance system of the Republic of Kazakhstan);
4. Making recommendations to prevent possible cases of the DIS member-banks not fulfilling their obligations to the KDIF under the Contract of adhesion, including payment of premiums and fines.

Members of the KDIF's Advisory Council shall be elected annually at the general meeting of the deposit insurance system's member-banks.

Chairman of the KDIF's Advisory Council is elected annually from among its members. In 2015 a representative from "Halyk Bank of Kazakhstan" JSC served as the Chairman of the KDIF's Advisory Council.

COMPOSITION OF THE KDIF'S ADVISORY COUNCIL:

Ms. Meruert Kardzhanova – Chairman of the Advisory Council, Director of the Retail Department and Agency Services of "Halyk Bank of Kazakhstan" JSC

Mr. Alexey Sychev – Director of the Retail Business Department of "Kazkommertsbank" JSC

Mr. Andrey Timchenko – Deputy Chairman of the Board on Retail Business of "Sberbank" JSC

Mr. Bertrand Jean Emmanuel Gossart – managing director, director of the Retail Business Strategy Department of "Eurasian Bank" JSC

Mr. Daniyar Arinov – Chief Financial Officer at "Delta Bank" JSC

Ms. Zamira Kilbasova – director of the Retail Products Development Department at "ATF Bank" JSC

Ms. Irina Stepanova – managing director at "Bank RBK" JSC

Ms. Larisa Zdanovitch – director of the Planning and Finance Department at "Bank CenterCredit" JSC

Mr. Rustam Yakupbaev – First Deputy Chairman of the Board at "Tsesnabank" JSC

Ms. Tatiana Belova – director of the Retail Business Development Department at "ForteBank" JSC

Observers:

Mr. Baurzhan Sadykov – Senior Development Manager of the Retail Business Department of Products of "Qazaq Banki" JSC

Mr. Nurzhami Altynsaka – Deputy Chairman of the Board of "Housing Construction Savings Bank of Kazakhstan" JSC

RESULTS OF THE ADVISORY COUNCIL'S ACTIVITIES IN 2015

In 2015 four in-person meetings of the KDIF's Advisory Council were held. Among others, the following key issues were discussed therein:

1. Making amendments and addenda to the Rules for determining the amounts and order of payment of mandatory calendar, additional and extraordinary premiums, in terms of:
 - ▷ exclusion of rescheduled deposits from the category of newly attracted ones due to the payment of compensation for the currency exchange rate difference as per the authorized agency's requirements;
 - ▷ limiting the use of agency networks by the DIS member-banks within the framework of the regulation of the agents' operations aimed at attracting individuals' deposits;
 2. Making amendments and addenda to the Contract of adhesion, in terms of introducing a consolidated database on the DIS member-banks' deposit products for individuals on the basis of the KDIF's official website;
 3. Commercial banks' suggestions to make amendments and/or addenda to the Methodology for calculating mandatory calendar premiums' differential rates;
 4. Matters of the KDIF's cooperation with the DIS member-banks in terms of conducting public awareness campaigns through different banks' marketing and PR initiatives;
 5. Improving procedures for verifying compliance of the commercial member-banks' automated databases on insured deposits with the Contract of Adhesion's standard requirements, namely by means of installing and applying the "SaIT Inspect" information system;
 6. Adoption of the new edition of the Regulation on the KDIF's Advisory Council. This new edition of the Regulation on the Advisory Council was developed in order to bring its provisions in line with the legislative requirements of the Republic of Kazakhstan, as well as in connection with the current practice of the KDIF's relationships with the DIS member-banks. In particular, the document provides for specification of the major goals and objectives of the KDIF's Advisory Council, regulates the procedures for organizing the Advisory Council's operations and for holding its meetings, and also governs other issues with regard to its activities;
 7. Establishment of maximum interest rates on newly attracted individuals' deposits in tenge and foreign currency recommended by the KDIF;
 8. Making amendments and addenda to the Methodology for calculating and establishing values of the maximum interest rates on newly attracted individuals' deposits.
- KDIF's Board of Directors took into consideration the opinions of the Advisory Council's members while considering all issues on its agenda.
- In 2015 two working groups functioned under the KDIF's Advisory Council - 1) on strengthening cooperation with the DIS member-banks within the KDIF's public awareness campaigns; 2) on improving the Methodology for calculating differential premium rates of the DIS member-banks.
- Namely, within the framework of the working group's activities on strengthening cooperation with the DIS member-banks in the KDIF's public awareness campaigns, two meetings of this working group were held in the reporting year. Based on the outcomes of these meetings important decisions were made regarding the potential opportunities for the KDIF's cooperation with the DIS member-banks in the field of enhancing and improving KDIF's public awareness initiatives.



MEMBER-BANKS' DIFFERENTIAL PREMIUM SYSTEM

Differential premium system for the mandatory calendar premiums was implemented in 2007.

The current KDIF's differential premium system is characterized by a combined approach to risk assessment: cumulative quantitative indicators account for 70% of the maximum possible total score while cumulative qualitative indicators – for the remaining 30%. The advantage of combining quantitative and qualitative indicators is that their combination represents the most efficient and comprehensive approach to the assessment of the banks' risk profile and uses a wide range of available data.

The total cumulative score for each DIS member-bank is determined on a quarterly basis based on calculating these indicators. Depending on the assigned value of the cumulative total score a DIS member-bank is allocated into one of different classification groups, each of which has its own corresponding differential mandatory premium rate. Thus, the higher the levels of financial instability and risks of the bank transactions, the higher the differential premium rate it has to pay to the KDIF.

The KDIF is constantly improving its Methodology for calculating differential premium rates taking into account suggestions and recommendations of the DIS member-banks, as well as dynamics in the state of the domestic banking sector, in the banking legislation and in reporting forms approved by the regulatory authority. In 2015 the working group continued improving the Methodology for calculation of differential premium rates. Working group meetings were held in June, September and November of the reporting year, whereby results of statistical testing of existing and suggested indicators, thresholds of indicators established on the basis of a threshold analysis, factors affecting the deterioration of the banks' financial standing in accordance with the Rules for implementing early warning measures and Methodology for determining factors causing deterioration of the banks' financial standing, approved by the Regulation of the Board of the National Bank of the Republic of Kazakhstan №68 as of 23.04.2014 for their application within the quantitative indicators' thresholds and/or qualitative indicators, were

considered. In November 2015, at the closing session of the working group its key work results were summarized. At the same time, in connection with the expected amendments and addenda to the banks' financial reporting, namely to the Instruction on normative values and methodology on calculation of prudential requirements for commercial banks approved by the Resolution №358 of the Board of the Agency of the Republic of Kazakhstan for Financial Supervision dated as of September 30, 2005, detailed tackling of the issue of improving the Methodology for calculating differential premium rates was postponed till 2016. The resumption of this work is planned after making appropriate amendments and addenda to the commercial banks' financial reporting forms.

Meanwhile, the appropriate adjustment and review of the "BATA" information system was carried out in the reporting year, taking into account the amendments and addenda made to the Rules for determining the amounts and order of payment of mandatory calendar, additional and extraordinary contributions in 2014.

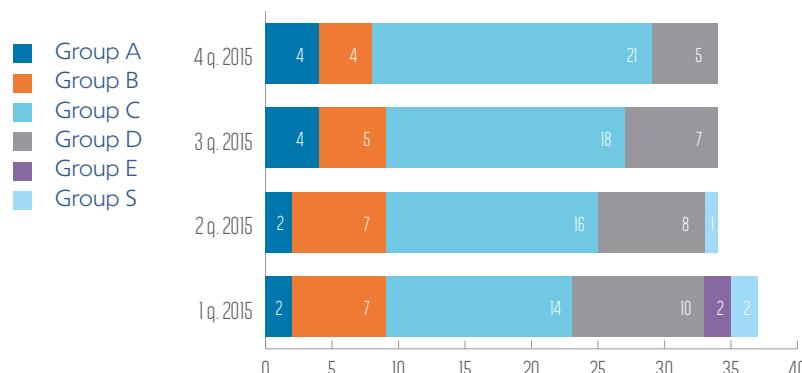
In the reporting year 8 DIS member-banks managed to improve their positions within the "BATA" System for calculation of differential mandatory calendar premium rates based on key financial indicators and including six classification groups with corresponding differential quarterly premiums' rates, being transferred to classification groups with lower rates of quarterly premiums, while position of 3 member-banks deteriorated as they moved to the classification groups with higher differential premium rates. At the same time, 23 DIS member-banks retained their former positions under the "BATA" DPS. In addition, as of July 1, 2015 three banks were excluded from the register of the DIS member-banks.

At the end of the 4th quarter of 2015 the DIS member-banks were distributed among the classification groups of the "BATA" DPS as follows: total share of the best classification group "A" composed 11.8% (4 member-banks), total proportion of the group "B" also reached 11.8% (4 banks), the share of the group "C" totaled 61.8% (21 banks), the proportion of the classification group "D" equaled to 14.7% (5 banks), the shares of the classification groups «E» and «S» both composed 0% (0 banks).

Differential premium rates of the mandatory calendar premiums

Classification group	A	B	C	D	E	S
Member-bank's differential premium rate (percentage share of the total amount of individual's deposits placed with a DIS member-bank)	0,04	0,08	0,11	0,19	0,38	0,5

Allocation of the DIS member-banks as per classification groups of the KDIF's differential premium system



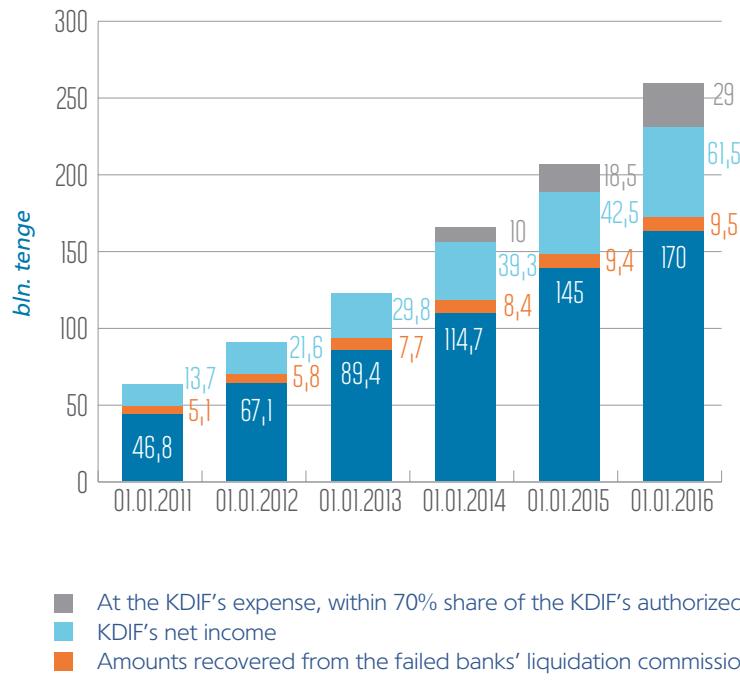
SPECIAL RESERVE FUND FOR PAYOUTS

The KDIF's special reserve fund, which is accumulated on an ex ante basis, serves for paying deposit coverage to the forcibly liquidated bank's depositors and for covering the difference between the amounts of a problem bank's assets and liabilities transferred to a healthy bank under the P&A transaction. However, in the event of deficit of the special reserve's funds for paying the full amount of deposit coverage to all the forcibly liquidated bank's insured depositors, the national legislation provides for a number of ex-post back-up funding measures for replenishing the KDIF's special reserve fund, such as: levying additional premiums from the DIS member-banks, taking a loan from the National (Central) Bank of Kazakhstan in the amount necessary to cover the special reserve fund's deficit, as well as the KDIF's additional capitalization by its sole shareholder – the National Bank of Kazakhstan, by means of replenishing its authorized capital. In accordance with the Law "On Mandatory Deposit Insurance" a share of up to 70% of the KDIF's authorized capital may be expensed for payouts of deposit coverage to the forcibly liquidated bank's insured depositors.

Pursuant to the current legislation, the KDIF's special reserve fund for payouts is accumulated from the following constituent elements:

1. KDIF's expenses, within 70% of the amount of its authorized capital;
2. DIS member-banks' premiums;
3. Penalties and fines imposed against the DIS member-banks for non-fulfillment, incomplete or inadequate fulfillment of their obligations under the Contract of Adhesion;
4. Money recovered from the forcibly liquidated member-bank's liquidation estate to reimburse the KDIF's funds expensed for paying deposit coverage;
5. Investment income from the allocation of the special reserve fund's assets;
6. Income from investing the KDIF's own assets reduced by the amounts of expenses and contributions under the terms of the KDIF's Charter.

Composition of the special reserve fund's assets in 2011-2015



As of December 31, 2015 the total amount of the KDIF's special reserve fund composed 270 billion tenge.

The DIS member-banks' mandatory calendar premiums account for the largest share in the structure of the KDIF's special reserve fund (63%). There was an annual increase in premiums in the amount of 25 billion tenge up to 170 billion tenge as of the end of 2015 (from year to year-end).

The amount of the KDIF's net income which replenished its special reserve fund increased by 18.9 billion tenge over the reporting year. Its share in the structure of the KDIF's special reserve fund amounted to 22.8% at the end of reporting year compared to 19.7% at the end of 2014. The amounts of recoveries from the liquidation commissions of "Nauryz Bank Kazakhstan" JSC and "Valut-Tranzit Bank" JSC, as redemption

of these banks' debts on the amounts of deposit coverage paid by the KDIF to their insured depositors, increased by 140 million tenge and amounted to 9.5 billion tenge at December 31, 2015.

By the resolution of the KDIF's shareholder as of December 2015, the KDIF's special reserve fund was replenished by 10.5 billion tenge under the clause 1.1 of the Article 22 of the Law on Mandatory Deposit Insurance. In 2015 the National Bank of the Republic of Kazakhstan increased the balance of the KDIF's authorized capital by 10% up to 194.9 billion tenge.

At the end of reporting year the maximum amount of the KDIF's special reserve fund including authorized capital (70% of its total amount) which can be used for the payouts of deposit coverage to insured depositors reached 377.5 billion tenge.

METHODOLOGY FOR DETERMINING THE TARGET LEVEL OF THE KDIF'S SPECIAL RESERVE FUND

In accordance with the Law of the Republic of Kazakhstan "On Mandatory Insurance of Deposits Placed with Second-Tier Banks of the Republic of Kazakhstan", the target level of the KDIF's special reserve fund should compose no less than 5% of the total amount of individuals' deposits placed with the DIS member-banks.

In 2015 the issue of determining and approving the target level of the KDIF's special reserve, in accordance with the Methodology for determining and establishing the target level and amount of the KDIF's special reserve fund was put forward for the consideration of the KDIF's Board of Directors twice. In February 2015 the KDIF's Board of Directors decided

to adopt the target level of the KDIF's special reserve fund at 5.73% of the total amount of individuals' deposits placed in the DIS member-banks. Due to the increase in the deposit coverage limit for deposits in local currency from 5 to 10 million tenge, the forecast values of the target level and amount of the KDIF's special reserve fund were adjusted, and in July 2015 the target level of the KDIF's special reserve fund was approved at the level of 5.8% for 2015, and at the level of 6.3% for 2016 by the KDIF's Board of Directors. The actual level of the KDIF's special reserve fund for 2015, excluding 70% of the KDIF's authorized capital, amounted to 3.9% and the analogous figure including 70% of the KDIF's authorized capital composed 5.5%.

ADDITIONAL SOURCES OF THE KDIF'S SPECIAL RESERVE FUND

According to the Strategic Development Plan of the National (Central) Bank of the Republic of Kazakhstan for 2011–2015, the National Bank annually increased the KDIF's authorized capital during this period by 10%.

On December 5, 2013 amendments were made to the Law of the Republic of Kazakhstan "On Mandatory Insurance of

Deposits Placed with the Second-Tier Banks of the Republic of Kazakhstan", whereby the maximum possible share of the KDIF's authorized capital, which may be used for reimbursing individual depositors in the event of the special reserve fund's deficit increased from 50 to 70 percent. This legislative novelty was enacted on January 1, 2014.



ASSETS INVESTMENT MANAGEMENT

The inherent nature of the KDIF's assets investment management strategy may be defined as conservative. KDIF adheres to three major principles in managing its assets: safeguarding its assets, mitigating risks of financial losses and increasing returns on investment.

Trust management of the KDIF's assets is carried out by the National (Central) Bank of the Republic of Kazakhstan, and the corresponding relationships between the KDIF and the National Bank are regulated under the special Trust management contract.

The KDIF's investment policy is approved by the KDIF's Board of Directors (Resolution №5 as of November 27, 2014) and this document stipulates the terms of the assets' investment aimed at achieving the planned yields, minimizing risks of financial losses and maintaining liquidity of the KDIF's investments.

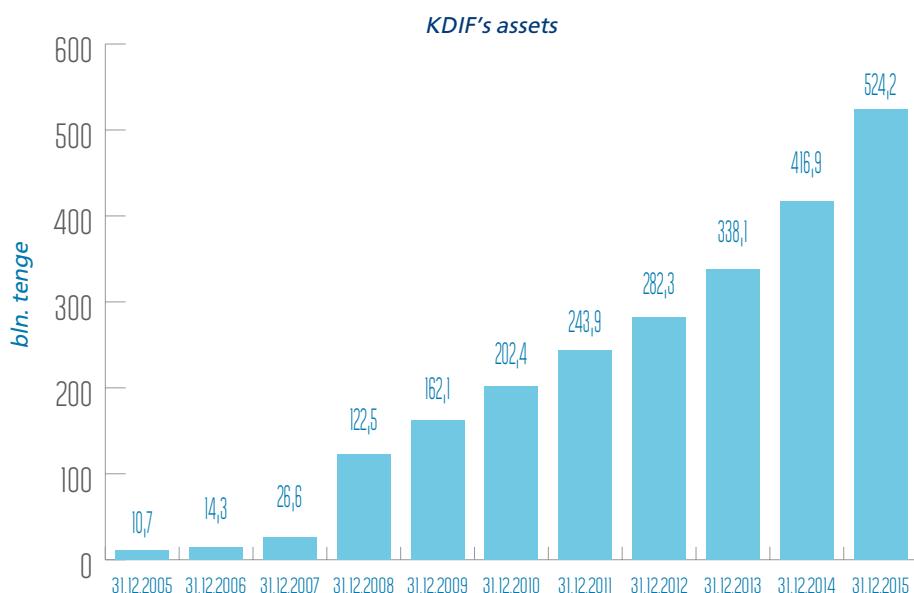
Since 2008 KDIF together with the Government and financial regulators has been working on the exemption of its investment income on the special reserve's assets from taxation. KDIF repeatedly initiated discussions of this matter with active participation of the responsible departments of the Ministry of Finance, Ministry of Economy and Budget Planning of the Republic of Kazakhstan and the National Bank of Kazakhstan. In addition, KDIF also took part in the working group's meetings on amendments to the Tax Code of the Republic of Kazakhstan and discussed the matter at the meetings with the deputies of the lower and higher chambers of the Kazakhstani Parliament. As a result of the accomplished work the Tax Code of the Republic of Kazakhstan was amended accordingly. At the same time, amendment to the Law of the Republic of Kazakhstan "On Mandatory Insurance of Deposits Placed with the Second-Tier Banks of the Republic of Kazakhstan" was also made in terms of introducing separate accounting mechanisms for the KDIF's special reserve fund assets and its own assets.

From January 1, 2014 KDIF has been maintaining separate accounting for its special reserve assets and for its own assets:

1. investment portfolio of the KDIF's own assets – at the expense of funds of the KDIF's authorized capital;
2. investment portfolio of the special reserve fund's assets.

COMPOSITION OF THE KDIF'S INVESTMENT PORTFOLIO CONSISTING OF THE FINANCIAL INSTRUMENTS, AS OF DECEMBER 31, 2015

The investment portfolio of the KDIF's own assets is made up from financial instruments which are operational in the domestic market and denominated in the national currency.



Financial instruments which KDIF is allowed to invest its own assets and the special reserve fund's assets in the national currency in:

- Government securities of the Republic of Kazakhstan
- Reverse repurchase stock exchange and out of stock exchange transactions (only Government securities of the Republic of Kazakhstan are accepted as collateral)
- Deposits placed with the National Bank of the Republic of Kazakhstan
- Securities issued by the national managing holdings and national companies of Kazakhstan (within the limits of no more than 30% of the total own assets' portfolio of the KDIF and up to 10% of the own assets' portfolio per one issuer)

Financial instruments which KDIF is allowed to invest its own assets and the special reserve fund's assets in foreign currency in:

- US government securities with maturity of no more than 5 years
- Sovereign bonds, debt securities of international financial institutions
- Securities of non-governmental issuers with a minimum credit rating of A/A2 (up to 30% of the special reserve's portfolio, up to 10% of the special reserve's portfolio per one issuer)
- Deposits (deposits with maturity of no more than 1 year) placed in non-resident banks of Kazakhstan with a credit rating no lower than A+ /A1

Assets of the KDIF's special reserve fund in both tenge and foreign currencies are invested within the following allocations:

1. Financial instruments denominated in foreign currency – within the minimum share of 25% and the maximum percentage of 35% (from November 1, 2015 this maximum share composed 45%) of the special reserve portfolio's assets;
2. Financial instruments denominated in the national currency -within the minimum share of 65% (from November 1, 2015 this minimum share composed 55%), and the maximum percentage of 75% of the special reserve portfolio's assets.

At the end of the reporting period the total value of the KDIF's assets amounted to 524.2 billion tenge – an increase of 25.7% (or 107.3 billion tenge) compared to the same period last year.

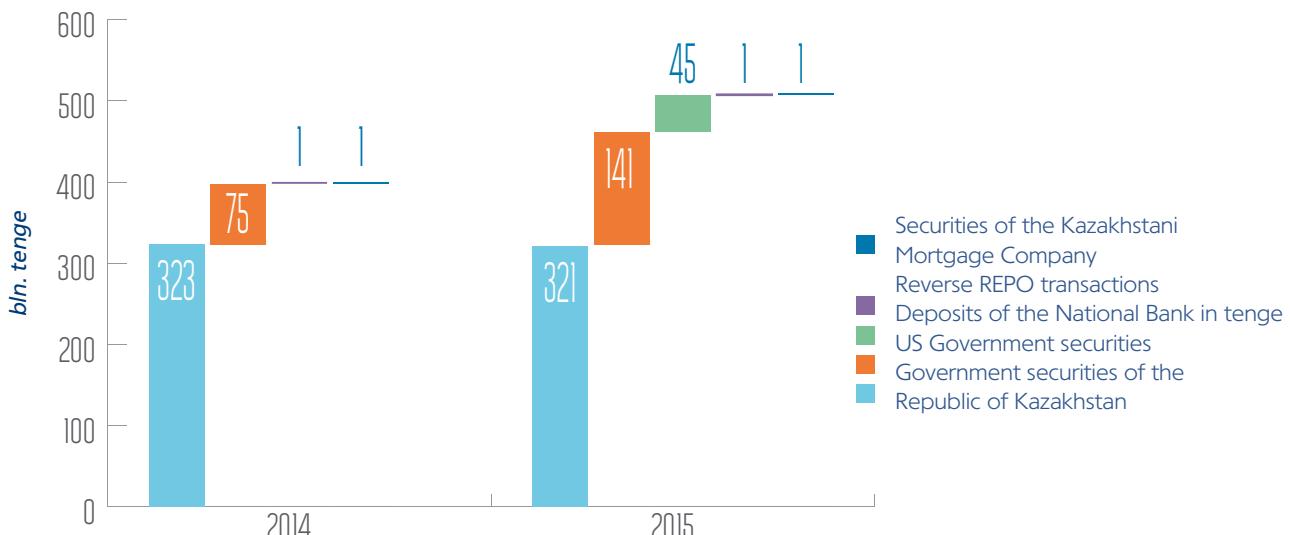
The net exchange rate difference accounted for the largest share (75%) within the structure of the KDIF's income received in 2015 from the investment of its assets due to the significant appreciation of the US dollar against the national currency, investment income from securities denominated in tenge

accounted for a 24.6 % share, and the investment income from securities denominated in US dollars amounted to a mere 0.4%.

At the end of the reporting period the total value of the KDIF's investment assets amounted to 509.4 billion tenge (97.2% of the total amount of the KDIF's assets), including the special reserve's portfolio in the amount of 318.8 billion tenge, and the portfolio of the KDIF's own assets in the amount of 190.6 billion tenge. At the end of 2015 the KDIF's investment income totaled 87.1 billion tenge (an increase of 211% compared to the same period last year). Meanwhile, the KDIF's income from its special reserve fund's portfolio reached 75.3 billion tenge, and income from the KDIF's own assets portfolio composed 11.8 billion tenge. The aggregate value of the KDIF's investment portfolio generated from financial instruments increased by 108.6 billion tenge (or by 27.1%).

KDIF's Board of Directors may review and adjust its investment strategy depending on the current situation in the foreign currency market, the banking sector, fluctuations in the yields of specific KDIF's financial instruments, and other factors.

Composition of the KDIF's investment portfolio consisting of the financial instruments, as of December 31, 2015





ORGANIZATION OF THE PAYOUTS PROCESS

1. Implementation of the KDIF's control measures at the DIS member-banks' site.

One of the preventive measures aimed at minimizing risks of submitting substandard insured depositors' register by the forcibly liquidated bank's liquidation commission and, thus, at minimizing risks of incorrect payouts of deposit coverage by an agent bank to insured depositors, consists in the implementation of the KDIF's measures designed to verify compliance of relevant DIS databases on automated accounting of insured deposits with the KDIF's standard requirements. During the period from 2009 to 2015 KDIF completed such activities (measures) at 35 DIS member-banks, while in the reporting year the activities (measures) were carried out at 3 DIS member-banks.

KDIF developed the "SaIT Inspect" Information System for the purpose of conducting prompt and effective activities aimed at verifying completeness and accuracy of the DIS member-banks' register on insured deposits, correctness of the DIS member-bank's mutual settlement of accounts, as well as at detecting operational errors of the bank's staff entering information into the database. In September 2015 "SaIT Inspect" Information System was put into commercial operation.

In order to improve the quality of their insured depositors' registers KDIF suggested DIS member-banks to install the above "SaIT-Inspect" IS at their sites for using this system on their own. In 2015 KDIF installed this information system at 10 DIS member-banks as per their request with the provision of the necessary technical support by the KDIF's staff. It should be noted that the installation of this information system enabled DIS member banks to independently monitor the results of their measures taken and activities carried out, to avoid their potential operating errors, and to minimize their own risks.

Furthermore, KDIF developed a special "SaIT Payout" information system in order to automate procedures for accounting and reconciliation of the data provided by the forcibly liquidated bank's liquidation commission, as well to exercise control over completeness and accuracy of the deposit coverage payouts made by an agent bank in the event of a member-bank's failure. Further improvement and development of the "SaIT Payout" IS will continue in 2016 in line with the forthcoming completion of this software's transition to the commercial operation phase and its bringing in compliance with the amendments and addenda made to the Law of the Republic of Kazakhstan on Mandatory Deposit Insurance.

2. Making deposit coverage payouts by the KDIF. One of the main KDIF's tasks aimed at maintaining stability of the financial system in the Republic of Kazakhstan is the payment of deposit coverage to a forcibly liquidated bank's insured depositors.

As of December 31, 2015, the KDIF reimbursed depositors of 3 forcibly liquidated DIS member-banks whose aggregate number of insured depositors exceeds 400 thousand. In 2016 KDIF will continue to pay deposit coverage to insured depositors of two following banks undergoing forced liquidation: "Nauryz Bank Kazakhstan" JSC and "Valut-Tranzit Bank" JSC.

Payouts of the deposit coverage to the forcibly liquidated banks' depositors as of December 31, 2015

Name of the bank under forced liquidation	Amount of the KDIF's obligations to the banks' depositors		Payouts of the deposit coverage (depositors)
	(billion tenge)	(billion tenge)	
"Naunyz Bank" JSC	0,77	0,68	3 638
"Valut-Tranzit Bank" JSC	18,36	17,52	63 214

"Valut-Transit Bank" JSC (hereinafter – the Bank) was the largest liquidated bank in the history of the banking sector of Kazakhstan, both in terms of total number and the scope of different social profiles of its depositors, most of whom are pensioners, the elderly people, soldiers and the disabled veterans of the Second World War and the disabled workers. At the time of the bank's failure the deposit coverage limit on individuals' deposits composed 700 thousand tenge per depositor per bank. All depositors whose deposit balances did not exceed the deposit coverage limit (i.e. 700 thousand tenge at that time), timely received their compensation in full.

However, the majority of the liquidated Bank's insured depositors whose deposit balances exceeded 700 thousand tenge repeatedly held protest actions, demanding to reimburse the full amounts of their deposit balances.

In this regard, in order to protect the lawful rights and interests of the liquidated bank's depositors, the National (Central) Bank of Kazakhstan, by order of the Head of the Presidential Administration, has convened a special working group designed to consider the liquidated Bank's different issues with close participation of the Kazakhstani government agencies' representatives where all the problems related to the Bank's liquidation process and potential efficient methods for solving them were discussed.

Within the framework of this working group's activities it was decided to pay additional deposit coverage to the liquidated bank's depositors in the amount up to 5 million tenge at the expense of the KDIF's special reserve fund. This was done with a view to strengthening public confidence in the KDIF as an organization protecting insured depositors' interests and in the state as a whole. The KDIF allocated the aggregate

amount of 4.25 billion tenge from its special reserve fund for the purposes of making additional deposit coverage payouts to about 5 thousand Bank's depositors.

It should be emphasized that this additional deposit coverage payouts mechanism is somewhat unique in the world's practice. In fact, it helped ease social tensions and appease anger and resentment of the Bank's individual depositors who repeatedly held protest actions, as well as enhanced their confidence in the KDIF as an organization protecting the individual depositors' interests and in the Kazakhstani Government in general.

Special plan for organizing additional deposit coverage payouts to the Bank's depositors, approved by the National Bank, KDIF and the Bank's liquidation commission, and providing for specific operations aimed at promptly organizing deposit coverage payouts was developed to help successfully implement this project.

Minimum requirements for submitting documents necessary to receive compensation on insured deposits (written application filled out by the depositor and his original identity document) were established in order to ensure prompt deposit coverage payouts, which enabled KDIF to reimburse about 3.8 thousand Bank's insured depositors in the total amount of 3.65 billion tenge, or 86% of the total payable amount by the end of the reporting year.

Overall, successful KDIF's accomplishment of the deposit coverage payouts on insured deposits placed with liquidated banks over 16 years of the KDIF's history of operations contributed to the implementation of its core mission in accordance with the national legislation - strengthening public confidence in the Kazakhstani banking sector and the country's financial system as a whole, as well as in the KDIF itself.



OPERATIONS OF THE FORCIBLY LIQUIDATED BANKS' LIQUIDATION COMMISSIONS

In 2015 the procedures for forced liquidation of "Nauryz Bank Kazakhstan" JSC and "Valut-Tranzit Bank" JSC were under way.

"NAURYZ BANK KAZAKHSTAN" JSC

The liquidation process of "Nauryz Bank Kazakhstan" JSC was launched in November 2005. By the end of 2015 the total amount of the deposit coverage paid to the bank's insured depositors amounted to 680 million tenge, or 88% of the aggregate amount payable to the bank's depositors. Meanwhile, at the end of reporting year KDIF recovered its expenses on the deposit coverage paid to the bank's individual depositors from the liquidation commission of "Nauryz Bank Kazakhstan" JSC in the amount of 679 million tenge (or 88%). During the reporting year the bank's liquidation commission did not settle any creditors' claims, including KDIF's claims. Serious difficulties faced with the judicial recovery of accounts receivable from the three largest failed bank's debtors was the main reason for delayed non-fulfillment of obligations to the bank's creditors. There are no other bank's assets available for debt redemption.

Pursuant to the national legislation, a KDIF's representative will act as a member of the creditors' committee of "Nauryz Bank Kazakhstan" JSC until complete settlement of the KDIF's claims through the bank's liquidation commission. At the end of the reporting year a KDIF's representative served as a Chairman of the creditors' committee of "Nauryz Bank Kazakhstan" JSC.

"VALUT-TRANSIT BANK" JSC

Forced liquidation process of "Valut-Tranzit Bank" started in March 2007. Initial KDIF's claims to the bank amounted to 14.1 billion tenge.

From August 10, 2015, under the Law of the Republic of Kazakhstan "On amendments and addenda to several legal acts of Kazakhstan on strengthening protection of property rights, ensuring protection of contractual obligations and toughening responsibility for their violation," additional deposit coverage payouts started to be made to the failed bank's insured depositors in the amount up to 5 million tenge per depositor, taking earlier paid deposit coverage up to 700 thousand tenge per depositor into account. The aggregate amount of additional deposit coverage payouts made to insured depositors attained 4.25 billion tenge.

Thus, the total amount of the KDIF's claims to the failed bank's liquidation commission on the amounts of reimbursement made to insured depositors of "Valut-Tranzit Bank" JSC, including additional payouts, composed 18.36 billion tenge.

As of December 31, 2015, 48% of total KDIF's claims to the failed bank's liquidation commission were recovered, in the aggregate amount of 8.8 billion tenge.

Two representatives from the KDIF were appointed as Deputy Chairman of the failed bank's liquidation commission and Deputy Chairman of its creditors' committee.

The bank's forced liquidation process was complicated by problems faced while collecting the bank's accounts receivable in court, as well as during enforcement proceedings. The lack of original contracts signed by "Valut-Tranzit Bank" JSC and its counterparties on real estate transactions, difficulties in collecting assets owned by entities allegedly affiliated to the bank and recognized as sham companies by the court, deficiency or complete absence of the liquidation estate's assets required for the full debt redemption, low market value of collateral and other borrower's property determined during the assets' assessment procedure, lengthy non-enforcement of judicial acts by state bailiffs which led to the alienation of collateral previously registered on the name of the bank's debtors for the benefit of others, were among the major challenges faced during the above process.

In September 2015 the working group on considering different issues of "Valut-Tranzit Bank" JSC, convened pursuant to the orders of the Head of the Presidential Administration of the Republic of Kazakhstan Mr. Aslan Musin as of October 17, 2011 and by the Resolution №34 of the National Bank of the Republic of Kazakhstan dated February 3, 2012, completed its activities and, hence, was dissolved.

Namely, in 2015 KDIF's representatives took part in the above working group's four meetings, where different problems

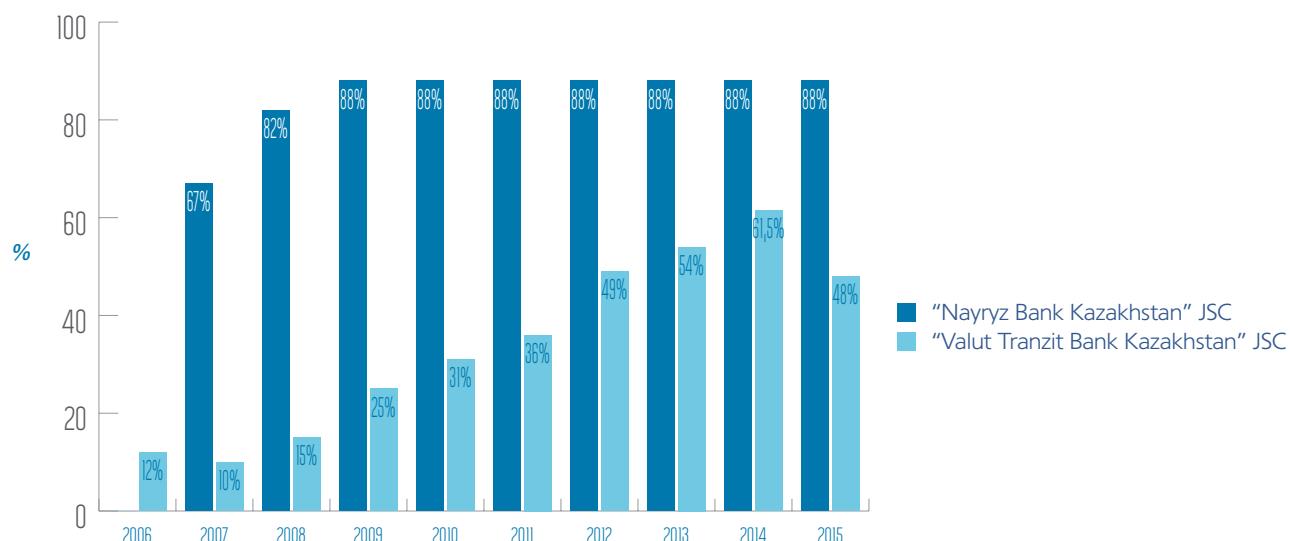
faced by the bank's liquidation commission were discussed and their solving options were identified through active cooperation with the working group's members. In addition, KDIF's employees participated in 21 meetings of the creditors' committee of "Valut-Tranzit Bank" JSC and "Nauryz Bank Kazakhstan" JSC undergoing forced liquidation.

In 2015 the KDIF's claims to the liquidation commission of "Valut-Tranzit Bank" JSC were settled in the amount of 140 million tenge.

Payouts of the deposit coverage to the depositors of two forcibly liquidated banks as of December 31, 2015

Name of the bank under forced liquidation	Amounts of the KDIF's obligations to the bank's insured depositors	Amounts of the deposit coverage paid to the bank's insured depositors	Amounts recovered by the KDIF from the failed banks' liquidation commissions	
	(in mln. tenge)	(in mln. tenge)	(in mln. tenge)	%
"Nauryz Bank Kazakhstan" JSC (court's decision on the bank's forced liquidation as of November 16, 2005)	772	680	679	87,95
"Valut-Tranzit Bank" JSC (court's decision on the bank's forced liquidation as of February 13, 2007)	14 103	13 876	8 813	62,36
"Valut-Tranzit Bank" JSC, including additional deposit coverage paid to the bank's depositors in the amount of 4,25 billion tenge	18 355	17 524	8 813	48,00

Changes in the amounts of the recoveries of the KDIF's assets from the liquidation commissions' funds of "Nauryz Bank Kazakhstan" JSC and "Valut-Tranzit Bank" JSC in 2006–2015.





DEVELOPMENT OF THE RISK-MANAGEMENT SYSTEM

The major objective of the KDIF's risk management system is to ensure effective fulfillment of its tasks of timely, correct and complete payouts of deposit coverage to the forcibly liquidated bank's insured depositors, accumulation of a special reserve fund for payouts, contribution to maintaining financial system's stability in accordance with the legislative requirements by minimizing negative implications of the KDIF's potential risk events.

- ▶ KDIF's Risk Management Committee operates within the framework of the KDIF's Board of Directors. In 2015, the KDIF's Risk Management Committee held three meetings.
- ▶ The staff units of the risk manager and Internal Audit Service are fully operational integral parts of the KDIF's organizational structure.
- ▶ In the reporting year KDIF introduced the practice of preparing regular management reports. In 2015 reports on financial risks' management, as well as the results of the stress tests were brought for consideration of the KDIF's Board of Directors on a quarterly basis.
- ▶ Control over security of the KDIF's information support function was enhanced in the reporting year.
- ▶ In 2015 efforts aimed at improving the KDIF's internal regulatory documents were intensified.

The KDIF's risk management system is aimed at identifying, controlling (minimizing) and determining the significance levels of such major KDIF's risks, as operational, financial, reputational and compliance ones.

The KDIF's risk management system applies an integrated approach to continuous and recurrent process of obtaining prompt and objective information about the potential KDIF's risks and those already occurred, to the process of determining the level or degree of the risks' impact on current KDIF's operations, preparation of regular management reports on different KDIF's risks, development and taking specific measures aimed at mitigating risks, coordinating KDIF's structural units as per their risk management operations, automation and improvement of the KDIF's risk management procedures.

Due to the fact that accumulation of a sufficient special reserve fund designed for reimbursing insured depositors upon the occurrence of a special triggering event (enactment of a court's ruling on the failed bank's forced liquidation) is one of the major KDIF's functions under the national legislation, assessment of the risks' significance levels, in particular, those of the financial risk, the most crucial for the KDIF's operations, is based on implementing best international practices in the relevant risk management areas. Regular preparation of quarterly reports on the KDIF's financial risks and their submission to the KDIF's Board of Directors provides for its awareness about the existing financial risks faced by the KDIF.

Furthermore, the KDIF's risk management system also provides for continuous monitoring of its compliance and reputational risks based on the analysis of the KDIF's external legal framework and information environment, as well as for appropriate measures aimed at managing these risks (including their prompt counteraction and mitigation). In 2015 reports on the dynamics of the KDIF's compliance and reputational risks, as well as an action plan on their mitigation were submitted for the consideration and approval of the KDIF's Board of Directors.

Effective fulfillment of all KDIF's essential tasks requires ongoing improvement of its risk management system. Accordingly, preparations of draft amendments were made to the Rules for risk management operations in 2015, which take international recommendations for development of the financial institutions' risk management system into consideration.

The primary purpose of the risk manager and Internal Audit Service structural units within the KDIF's organizational structure is the development of the KDIF's risk management system based on three pillars of protection against potential risks: 1) risk management by the KDIF's structural units themselves; 2) risk management by the independent structural unit of the KDIF's risk manager (directly accountable to the KDIF's Board of Directors), and 3) independent audit of the effectiveness and efficiency of the KDIF's risk management system by its Internal Audit Service which is also directly accountable to the KDIF's Board of Directors.

The mission of the Risk Management Committee functioning within the KDIF's Board of Directors consists in effective implementation of different KDIF's risk management measures. An independent member of the KDIF's Board of Directors is Chairman of the KDIF's Risk Management Committee. Chairmanship of an independent member of the KDIF's Board of Directors on the Risk Management Committee enables the KDIF's Board of Directors to be adequately informed about the real situation in the KDIF's risk management system, as well as provides for prompt actions of the KDIF's executives in the risk management sphere. Three meetings of the KDIF's Risk Management Committee were held in 2015 where KDIF's risk management reports were carefully examined and discussed. As a result, recommendations were made to the KDIF's Board of Directors on the KDIF's risk management procedures based on the above discussions. In its turn, the KDIF's Board of Directors takes into account current KDIF's exposure to its financial and other inherent risks, as well as the recommendations of the KDIF's Risk Management Committee when making its managerial decisions.

PUBLIC AWARENESS

Under the Law of the Republic of Kazakhstan "On Mandatory Deposit Insurance" dated July 7, 2006, the core KDIF's mission consists in contributing to maintenance of the Kazakhstani financial system's stability, as well as protecting rights and lawful interests of individual depositors in the event of the DIS member-bank's forced liquidation. Consequently, KDIF's ongoing public awareness campaigns aimed at informing population about the deposit insurance gets equivalent status with other KDIF's tasks and mandates in fulfillment of this KDIF's mission.

In performing this work the KDIF is committed to continuously increasing public awareness levels in Kazakhstan on state deposit insurance and shaping a positive KDIF's perception as an agent of the state policy with all groups of the Kazakhstani population.

In 2015 KDIF traditionally used a range of various communication tools, including television, radio, printed press (both state-wide and regional editions), its own corporate website, its accounts in Facebook and "Vkontakte" social media, as well as the press conference for mass media representatives held at the "Interfax" press club and on-line conference on the popular Kazakhstani website, www.zakon.kz, to inform the public about different activities of the local deposit insurance system.

During the reporting year more than 550 materials with references to the KDIF were published or put on air in various media channels, including 55% of positive publications and 45% neutral ones. At the same time, the following distribution of these materials through different communication channels was observed: the internet (web) media – 72%, printed press – 20% TV – 8%, as well as 32 references to the KDIF in the evening and bottom-line TV news items shown on statewide and local TV channels. It should be emphasized that KDIF did not incur any expenses for 92% of the total number of publications about the Kazakhstani mandatory deposit insurance system and the KDIF that were issued in 2015.

PUBLICATION OF INFORMATION MATERIALS BY THE KDIF IN 2015

- ▶ **In printed press** – articles and informational announcements in Kazakh and Russian languages placed in national statewide newspapers ("Egemen Kazakhstan", "Kazakhstanskaya Pravda", "Vremya", "Liter", "Aikyn", etc.) and 28 regional newspapers (two newspapers per each region of Kazakhstan, including one in Kazakh language and the other in Russian language)
- ▶ **On TV** – 80 broadcasts of video commercials on air of the "Khabar" statewide TV Channel (in February-March 2015), KDIF started working with the "Movators" professional studio with the goal of creating informative video commercials about the KDIF of 15 seconds and 30 seconds in length, as well as a viral 2 minutes-long video commercial.
- ▶ **On the radio** – a total of 330 broadcasts of the KDIF's audio commercials through "Avtoradio", "Kazakh Radio" and "Retro FM" statewide radio broadcasting stations.
- ▶ **Through printed promotional production** – 120 thousand informational brochures for the depositors, 200 thousand informational leaflets, 1.7 million business cards with the main KDIF's contact information and 10 thousand promotional decals with the KDIF's free hotline telephone number and its corporate website address were distributed among the branches of the DIS member-banks.
- ▶ **Consulting the public over the telephone by the KDIF's staff** – about 5 000 calls were received through the KDIF's "hot line" number 8-800-080-10-20.

KDIF's executives and Mr. Vladislav Lee, Chairman of the Management Board of "Bank CenterCredit" JSC, took part in the press-conference held on August 4, 2015 (the agent bank for the payouts of additional deposit coverage to insured depositors of "Valut-Tranzit Bank" JSC) which was attended by representatives from more than 30 different mass media.

The KDIF regularly develops and issues special printed products – informational brochures "What you should know about deposit insurance" for the depositors, as well as informational leaflets and promotional decals which are transferred to the DIS member-banks for their subsequent distribution among their depositors.

Kazakhstani population may also be consulted by the KDIF's employees on different issues related to deposit insurance through the special "hot line" free telephone number. About 5,000 calls were received through the "hot line" number from the public over the reporting year. Based on the answers to the standardized surveys of depositors calling at the KDIF's hot line number, the most popular and effective information channels in every region of Kazakhstan, as well as the most topical issues that must be covered while informing the public about the Kazakhstani deposit insurance system and the KDIF itself, are identified.

Since 2003 KDIF has been maintaining its own corporate website, www.kdif.kz, where different relevant and topical information on deposit insurance is posted, including an up-to-date full list of the DIS member-banks, a complete set of relevant legislation, as well as available audited KDIF's financial statements. The last comprehensive redesign of the KDIF's website was carried out in 2009. In 2016 the KDIF plans to significantly improve its corporate website's design and user interface, more specifically, to optimize its structure and improve its overall capabilities by including such complex features, as slide show, etc.

KDIF also comprehensively worked in other ways on informing the failed bank's depositors, entitled to receive additional compensation on their deposits, about the payouts' procedures and mechanisms. First, a corresponding informational announcement about the beginning of additional deposit coverage payouts was published in the national statewide newspapers "Egemen Kazakhstan" and "Kazakhstanskaya Pravda", as well as on the KDIF's official website and in its accounts in "Facebook" and "Vkontakte" social media. Second, KDIF also officially requested all of the regional authorities of the Republic of Kazakhstan, as well as the liquidation commission of "Valut-Tranzit Bank" JSC to involve different regional media channels (above all, regional printed publications) in the dissemination of information about the additional payouts to insured depositors of "Valut-Transit Bank" JSC. This initiative turned out to be very effective in informing the bank's insured depositors on the mechanism for additional deposit coverage payouts. Finally, at the end of 2015 the KDIF's staff regularly reached out depositors who had not yet applied to the agent bank for deposit coverage compensation by telephone and asked them to apply for reimbursement. As a result, by the end of the reporting year (within less than 5 months from the

beginning of additional deposit coverage payouts) around 80% of individual depositors with balances on their deposits or bank accounts placed in "Valut-Tranzit Bank" JSC exceeding 700 thousand tenge, were additionally reimbursed.

In November 2015 an online conference was held with the KDIF's Chairman on the home page of www.zakon.kz, the popular news website of the Republic of Kazakhstan. More than 100 different questions about the national deposit insurance system were received from the public during the online conference and the KDIF's staff provided prompt and detailed answers to all these questions. Reports about this online conference gathered approximately 47 thousand views, including those of about 27 thousand unique users of www.zakon.kz website.

In 2015 the KDIF also comprehensively reviewed and updated its own Facebook and "Vkontakte" social media accounts. From July 2015 KDIF began to actively work in this direction on its own, and from November 2015 – in collaboration with the "Eventica Brandworks" specialized studio. In particular, from July to December of the reporting year about 50 publications were posted in the KDIF's social media accounts, including 21 made in collaboration with the above studio (supplier). All the above publications represented an original content in terms of text, graphics and animated graphics.

Furthermore, the content of the KDIF's social media accounts was clearly structured: in July 2015 a special FAQ ("Most frequently asked questions") section was launched with accessible and intelligible layout of the basic elements of the national deposit insurance system's functioning principles. In August 2015 an animated graphics format was initiated and plans were outlined for further systematic development of the KDIF's accounts in social media. The total number of followers of the KDIF's Facebook account increased exactly 4 times over the year, from 71 to 284 subscribers.

Overall, KDIF significantly reconceived and revamped its own Concept for public awareness campaigns and its major priorities in 2015. As a result, an updated and considerably improved Concept was developed for 2015 compared with the previous year 2014. This Concept's key parameters of further strengthening bilateral partnerships with DIS member-banks in order to enhance financial literacy of the population, development of the KDIF's comprehensive brand book, review of the effectiveness of main communication channels used by the KDIF, development of key performance indicators for these operations and their realization, as well as alignment and strengthening of the KDIF's profile in social media (namely, a significant increase in the number of followers of the KDIF's accounts in Facebook and "Vkontakte") were outlined and later implemented in practice.



THE HEADQUARTERS OF THE INTERNATIONAL SYSTEMS
ASSOCIATION DEPOSIT INSURANCE (IADI) IN BASEL, SWITZERLAND.

INTERNATIONAL COOPERATION

The KDIF has been an active member of the International Association of Deposit Insurers (IADI, the Association), as well as two of its regional committees – the Asia-Pacific and the Eurasian, and many standing committees of the Association specialized in a particular aspect of deposit insurance since 2003. The KDIF is closely involved in many activities and research carried out by the Association within the framework of its membership in IADI.

At the end of the reporting year 80 deposit insurance organizations from 77 different jurisdictions were IADI members. In 2015 KDIF worked on strengthening bilateral cooperation with certain foreign deposit insurers.

First, in March 2015 KDIF has carried out Exchange of Letters of intent designed to formalize its cooperation with the Deposit Insurance Corporation of Japan (DICJ) at the international Round table organized by this deposit insurer. In addition, during a number of corresponding bilateral meetings in May 2015 KDIF's employees were consulted by representatives from the Indonesia Deposit Insurance Corporation (IDIC) on various issues related to this deposit insurer's functioning, in particular on insurance of deposits placed with Islamic banks and the differential premium system of the Indonesia Deposit Insurance Corporation (IDIC).

In addition, in 2015 KDIF's representatives actively participated in online seminars held by the Agency for Deposit Protection of the Kyrgyz Republic (ADPKR) in its capacity of the Chairman of the IADI Eurasia Regional Committee on the topics of the deposit insurance systems' mandates and powers, as well as the target size of the deposit insurer's special reserve fund.

During the reporting year KDIF participated in a variety of the IADI research projects as part of its membership and close involvement in the International Association of Deposit Insurers (IADI). Furthermore, it was also actively involved in the activities of the IADI Eurasia and Asia-Pacific regional committees and a number of its standing committees (Data and Survey Committee, Membership and Communications Committee, Training and Conference Committee, as well as the Research and Guidance Committee), as well as special task forces.

Moreover, in the reporting year the KDIF prepared and submitted answers to the IADI Annual Survey 2015, a comprehensive analysis and research into the deposit insurance systems all over the world as of January 1, 2015, as well as to the questionnaires of the Subcommittee on Purchase and Assumption and the Subcommittee on Resolution Issues of Financial Cooperatives of the IADI Research and Guidance standing committee. In addition, KDIF initiated its own two surveys and gathered responses to them from all IADI members in order to study the best international practice in the following areas: 1) establishment of maximum interest rates on insured deposits in various countries, and 2) insurance of legal entities'

deposits in different jurisdictions. Based on the IADI members' answers to the above surveys, the KDIF prepared analytical reports and recommendations in the executive summary format for the development of its corresponding areas of operations.

As part of its membership and participation in the IADI Guidance Group's Steering Committee on Updating the IADI Core Principles for the Effective Deposit Insurance Systems the KDIF took part in the analysis of the contents of the updated draft IADI Handbook for the Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems.

Beginning from March 2016 the KDIF plans to carry out assessment of its operations' compliance with the latest edition of the IADI Core Principles on its own or in close cooperation with the National Bank of Kazakhstan pursuant to the relevant updated IADI Handbook.

At the IADI Annual General Meeting held in October 2015 the corresponding IADI Selection Committee noted the KDIF's achievements resulting from its operations during the reporting year, awarding the KDIF with the prestigious international award "Deposit Insurance Organization of the Year" in the nomination "Achievements in Resolutions and Payouts". Such KDIF's results and performance indicators as efficiency of the payouts process, maturity of the legal framework governing the depositors' reimbursement mechanisms, terms and procedures for making payouts, as well as the KDIF's mandates and powers in the problem banks' resolution process with the goal of protecting individual depositors' rights and interests, received many points within the nomination's scoring system.

Appreciation of the KDIF's achievements by internationally acclaimed experts at the highest possible level confirms that the KDIF, together with the National Bank of Kazakhstan, had been working on the development of the Kazakhstani deposit insurance system properly and in the right direction. The KDIF is constantly studying the best global practices in deposit insurance and is focused on the most efficient working methods aimed at maintaining financial stability and ensuring adequate protection of the individual depositors' interests.

In 2015 the KDIF was working with the Asian Development Bank (ADB) within the framework of obtaining technical assistance and consultations from the ADB and with a view to enhancing capacity for early problem banks' resolution, their forced liquidation and transfer of the liquidation proceedings' mandates and functions from the National Bank of Kazakhstan to the KDIF.

In 2016 the KDIF plans to enhance bilateral cooperation with a number of foreign deposit insurers through signing Memorandums of understanding, holding bilateral training courses and sessions, meetings with such organizations, etc.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

"Deloitte LLP" auditing company conducted an independent audit of the accompanying financial statements of "Kazakhstan Deposit Insurance Fund" JSC (hereinafter - "KDIF"), which comprise the statement of the KDIF's financial position at December 31, 2015, the related profit and loss accounts and other comprehensive income statement, statement of changes in equity and cash flow statement for the year ended in 2015, as well as a summary of the KDIF's major accounting policies and other explanatory information.

OPINION

According to the "Deloitte LLP" auditing company, the KDIF's financial statements present fairly, in all material respects, the financial standing of "Kazakhstan Deposit Insurance Fund" JSC as of December 31, 2015, as well as its financial performance results and its cash flows for the year then ended in accordance with the International financial reporting standards (IFRS).

KAZAKHSTAN DEPOSIT INSURANCE FUND JSC

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

(in thousands of Kazakhstani tenge)

	31 December 2015	31 December 2014	1 January 2014 * Restated
ASSETS:			
Cash and cash equivalents	79,576,372	5,875,525	19,056,356
Available-for-sale securities	441,760,269	408,051,433	316,513,093
Accounts receivable	2,013,221	2,779,554	2,334,226
Other assets	812,766	197,431	173,139
 TOTAL ASSETS	 524,162,628	 416,903,943	 338,076,814
 LIABILITIES AND EQUITY:			
LIABILITIES:			
Other liabilities	1,080,881	2,341,952	164,921
 Total liabilities	 1,080,881	 2,341,952	 164,921
 EQUITY:			
Share capital	194,871,600	177,156,000	161,051,000
Available-for-sale securities revaluation (deficit)/reserve	(19,511,201)	1,258,172	(340,164)
Reserve capital	1,771,560	1,610,510	1,464,100
Special reserves of compensation	270,056,516	215,394,855	172,420,488
Retained earnings	75,893,272	19,142,454	3,316,469
Total equity	523,081,747	414,561,991	337,911,893
 TOTAL LIABILITIES AND EQUITY	 524,162,628	 416,903,943	 338,076,814

KAZAKHSTAN DEPOSIT INSURANCE FUND JSC
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

(in thousands of Kazakhstani tenge)

	Year ended 31 December 2015	Year ended 31 December 2014 *Restated
Interest income	21,800,421	16,358,978
Net revenue from member-banks' contributions and proceeds from liquidation commission	25,180,257	31,304,307
Net gain on foreign exchange operations	65,386,307	11,692,442
Other (expense)/income	(79,339)	1,065
NET NON-INTEREST INCOME	90,487,225	42,997,814
OPERATING EXPENSES	(576,483)	(405,606)
PROFIT BEFORE INCOME TAX	111,711,163	58,951,186
Income tax (expense)/benefit	(137,634)	832
NET PROFIT	111,573,529	58,952,018
Mandatory distribution of net revenue from contributions paid by member-banks and proceeds from liquidation commission in the special reserve	(25,180,257)	(31,304,307)
NET PROFIT AFTER MANDATORY DISTRIBUTION	86,393,272	27,647,711
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Net (loss)/gain on revaluation of investments available-for-sale, net of tax effect of nil tenge	(20,769,373)	1,598,336
OTHER COMPREHENSIVE (LOSS)/INCOME	(20,769,373)	1,598,336
TOTAL COMPREHENSIVE INCOME	65,623,899	29,246,047

KAZAKHSTAN DEPOSIT INSURANCE FUND JSC STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

(in thousands of Kazakhstani tenge)

	Share Capital	Available-for-sale securities revaluation (deficit)/reserve	Reserve capital	Special reserves of compensation	Retained earnings	Total
31 December 2013	161,051,000	(340,164)	1,464,100	172,420,488	3,311,213	337,906,637
Net profit	-	-	-	-	27,647,711	27,647,711
Other comprehensive income	-	1,598,336	-	-	-	1,598,336
Issue of ordinary shares	16,105,000	-	-	-	-	16,105,000
Transfer to reserve capital	-	-	146,410	-	(146,410)	-
Formation of special reserve	-	-	-	11,670,060	(11,670,060)	-
Mandatory distribution of net income from contributions of member-banks	-	-	-	31,305,232	-	31,305,232
Compensation to depositors of liquidated banks	-	-	-	(925)	-	(925)
31 December 2014	177,156,000	1,258,172	1,610,510	215,394,855	19,142,454	414,561,991
Net profit	-	-	-	-	86,393,272	86,393,272
Other comprehensive loss	-	(20,769,373)	-	-	-	(20,769,373)
Issue of ordinary shares	17,715,600	-	-	-	-	17,715,600
Transfer to reserve capital	-	-	161,050	-	(161,050)	-
Formation of special reserve	-	-	-	29,481,404	(29,481,404)	-
Mandatory distribution of net income from premiums of member-banks	-	-	-	29,445,727	-	29,445,727
Payouts to depositors of "Valut-Transit Bank" JSC	-	-	-	(4,265,470)	-	(4,265,470)
31 December 2015	194,871,600	(19,511,201)	1,771,560	270,056,516	75,893,272	523,081,747

KAZAKHSTAN DEPOSIT INSURANCE FUND JSC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

(in thousands of Kazakhstani tenge)

	Year ended 31 December 2015	Year ended 31 December 2014 *Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Proceeds from payments of mandatory regular contributions	28,176,449	32,077,269
Proceeds from liquidation committee	140,000	920,000
Receipt of interest on deposits placed	1,214,568	37,895
Interest received on available-for-sale securities	17,970,109	15,035,282
Interest received on transaction of reverse repo	404,121	135,893
Other receipts	9,778	38,178
Payments for suppliers' goods and services	(157,486)	(103,058)
Payment of business trip expenses	(5,887)	(8,976)
Payroll payment	(280,652)	(178,812)
Income tax paid	–	(28,428)
Other taxes and other mandatory payments to the budget	(93,745)	(63,893)
Reimbursement to depositors of liquidated bank	(3,656,717)	(925)
Other payments	(614,684)	(27,513)
Net cash inflow from operating activities	43,105,854	47,832,912
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturity of available-for-sale securities	100,498,466	96,073,210
Purchase of available-for-sale securities	(88,670,143)	(173,178,419)
Purchase of property, plant and equipment	(23,434)	(3,842)
Purchase of intangible assets	(2,575)	(10,561)
Net cash inflow/(outflow) from investment activities	11,802,314	(77,119,612)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of ordinary shares	17,715,600	16,105,000
Net cash inflow from financing activities	17,715,600	16,105,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	72,623,768	(13,181,700)
<i>Effect in foreign exchange rate changes on cash and cash equivalent in foreign currency</i>	1,077,079	869
CASH AND CASH EQUIVALENTS, beginning of the year	5,875,525	19,056,356
CASH AND CASH EQUIVALENTS, end of the year	79,576,372	5,875,525



KAZAKHSTAN DEPOSIT
INSURANCE FUND