

**JSC “Subsidiary Bank “National Bank of  
Pakistan” in Kazakhstan**

**Financial Statements**

*For the year ended December 31, 2015*

# JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

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## JSC SB “NATIONAL BANK OF PAKISTAN” IN KAZAKHSTAN

### STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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Management of the JSC SB “National Bank of Pakistan” (further – “Bank”) is responsible for the preparation of the financial statements that present fairly in all material respects the financial position of the Bank as at December 31, 2015, and the results of its operations, cash flows and changes in shareholders’ equity for the year ended December 31, 2015, in compliance with International financial reporting standards (further - “IFRS”).

In preparing the financial statements, management is responsible for:

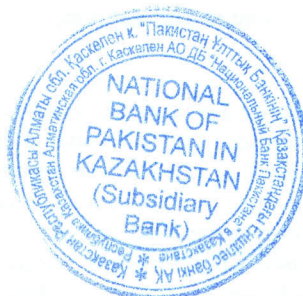
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- applying proved and reasonable estimates and assumptions;
- providing additional disclosures in cases when compliance with the requirements is not sufficient for users to understand the impact on financial statements, which particular transactions, or other events and conditions have on the financial position and results of operations of the Bank; and
- the ability of the Bank to continue its activities in the foreseeable future on the going concern basis.

Management is also responsible for:

- designing, implementing and maintaining of effective and reliable functionality of internal control system;
- maintaining of proper accounting system, allowing preparation of the Bank’s financial position information at any time with reasonable accuracy, and to ensure compliance with IFRS;
- maintaining of accounting records in accordance with legislation of the Republic of Kazakhstan;
- adopting of measures within its competence to safeguard assets of the Bank;
- detecting and preventing fraud and other irregularities.

The financial statements of the Bank for the year ended December 31, 2015 were approved by Management Board of the Bank on January 29, 2016:

Chairman of the Board



Muhammad Anwar Ul Haq

Chief Accountant

Pirmaganbetova Akmaral  
Kozhagulovna

January 29, 2016  
Republic of Kazakhstan, Almaty



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## INDEPENDENT AUDITORS' REPORT

To the Shareholder and the management of JSC SB "National Bank of Pakistan" in Kazakhstan

We have audited the accompanying financial statements of JSC SB "National Bank of Pakistan" in Kazakhstan (the "Bank"), which comprise the statement of financial position as at December 31, 2015, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter "financial statements").

### Management's responsibility for the financial statements

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

### Auditors' responsibility

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

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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC SB "National Bank of Pakistan" in Kazakhstan as at December 31, 2015 and its financial results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Grant Thornton

  
Yerzhan Dossymbekov  
General Director  
Grant Thornton LLP



  
Arman Chingilbayev  
Engagement partner



Certified Auditor of the Republic of Kazakhstan,  
Certificate #MF-0000069 on January 20, 2012  
Republic of Kazakhstan

Certified Auditor of the Republic of Kazakhstan  
Certificate #MF-0000487 on October 12, 1999  
Republic of Kazakhstan

State license for providing audit services on the territory of the Republic of Kazakhstan: series MFU-2, #0000087, issued by the Ministry of Finance of the Republic of Kazakhstan on June 21, 2012



January 29, 2016  
Almaty, Republic of Kazakhstan

JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2015

In thousands of tenge	Note	December 31, 2015	December 31, 2014
<b>Assets</b>			
Cash	5	996,870	242,271
Amounts due from other banks		3,270	1,699
"Reverse REPO" receivables	6	1,960,828	1,488,335
Short-term loan to the parent Bank	7, 17	–	365,025
Loans to clients	8	2,828,042	3,389,055
Property and equipment and intangible assets		11,378	15,401
Corporate income tax prepayments		37,102	11,300
Other assets	10	154,983	10,808
Assets held for sale	9	91,870	–
<b>Total assets</b>		<b>6,084,343</b>	<b>5,523,894</b>
<b>Liabilities</b>			
Correspondent accounts and amounts due to banks		141	144
Amounts due to clients	11	1,042,755	756,181
Subordinated loan	12	234,214	–
Deferred tax liabilities	13	9,341	14,295
Other liabilities		27,700	24,466
<b>Total liabilities</b>		<b>1,314,151</b>	<b>795,086</b>
<b>Equity</b>			
Share capital	14	4,091,000	4,091,000
Reserve capital	14	79,620	79,620
Dynamic reserves	14	86,255	86,255
Retained earnings		513,317	471,933
<b>Total equity</b>		<b>4,770,192</b>	<b>4,728,808</b>
<b>Total equity and liabilities</b>		<b>6,084,343</b>	<b>5,523,894</b>

Accompanying notes on pages 5 to 33 are an integral part of these financial statements.

Signed and authorized for issuance on behalf of the Management Board of the Bank:

Chairman of the Board



Muhammad Anwar Ul Haq

Chief Accountant

Pirmaganbetova Akmaral  
Kozhagulovna

January 29, 2016  
Republic of Kazakhstan, Almaty

JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2015

In thousands of tenge	Note	2015	2014
<b>Interest income</b>			
Loans to clients	15	300,796	516,031
Amounts due from other banks		193	199
Reverse REPO		210,570	79,475
		<b>511,559</b>	<b>595,705</b>
<b>Interest expense</b>			
Amounts due to clients		(22,059)	(47,119)
Correspondent accounts and amounts due to banks		(2,175)	-
		<b>(24,234)</b>	<b>(47,119)</b>
<b>Net interest income</b>			
Reversal/(allowance) for loan impairment	8	9,122	(1,145)
<b>Net interest income after allowance for loan impairment</b>			
		<b>496,447</b>	<b>547,441</b>
Commission income		15,634	20,788
Commission expenses		(3,620)	(3,103)
Net (loss)/gain from foreign currency transactions		(43,281)	17,498
<b>Operating (loss)/profit</b>			
		<b>(31,267)</b>	<b>35,183</b>
Administrative expenses	16	(405,280)	(367,543)
<b>Operating profit before income tax expense</b>			
		<b>59,900</b>	<b>215,081</b>
Corporate income tax benefit/(expense)	13	4,954	(43,159)
<b>Profit for the year</b>			
		<b>64,854</b>	<b>171,922</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>			
		<b>64,854</b>	<b>171,922</b>
Weighted average number of shares		8,182	8,182
<b>Basic and diluted earnings per share, tenge</b>			
		<b>7,926</b>	<b>21,012</b>

Accompanying notes on pages 5 to 33 are an integral part of these financial statements.

Signed and authorized for issuance on behalf of the Management Board of the Bank:

Chairman of the Board



*[Handwritten signature]*

Muhammad Anwar Ul Haq

Chief Accountant

*[Handwritten signature]*

Pirmaganbetova Akmaral  
Kozhagulovna

January 29, 2016  
Republic of Kazakhstan, Almaty

**JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2015**


In thousands of tenge	Share capital	Reserve capital	Dynamic reserves	Retained earnings	Total
<b>As at January 1, 2014</b>	<b>4,091,000</b>	<b>79,620</b>	<b>86,255</b>	<b>334,210</b>	<b>4,591,085</b>
<i>Net profit for the year</i>	-	-	-	171,922	171,922
<i>Other comprehensive income</i>	-	-	-	-	-
Total comprehensive income	-	-	-	171,922	171,922
Dividends (Note 14)	-	-	-	(34,199)	(34,199)
<b>As at December 31, 2014</b>	<b>4,091,000</b>	<b>79,620</b>	<b>86,255</b>	<b>471,933</b>	<b>4,728,808</b>
<i>Net profit for the year</i>	-	-	-	64,854	64,854
<i>Other comprehensive income</i>	-	-	-	-	-
Total comprehensive income	-	-	-	64,854	64,854
Dividends (Note 14)	-	-	-	(23,470)	(23,470)
<b>As at December 31, 2015</b>	<b>4,091,000</b>	<b>79,620</b>	<b>86,255</b>	<b>513,317</b>	<b>4,770,192</b>

*Accompanying notes on pages 5 to 33 are an integral part of these financial statements.*

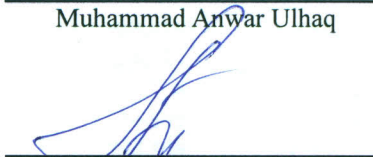
Signed and authorized for issuance on behalf of the Management Board of the Bank:

Chairman of the Board



  
Muhammad Anwar Ulhaq

Chief Accountant

  
Pirmaganbetova Akmaral  
Kozhagulovna

January 29, 2016  
Republic of Kazakhstan, Almaty



**JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

In thousands of tenge	Note	2015	2014
<b>Cash flows from operating activities</b>			
Interest received on loans to clients		219,483	393,092
Interest received on "reverse REPO"		203,079	76,385
Interest paid on amounts due to clients		(22,059)	(47,135)
Commission income received		15,634	20,987
Commission expenses paid		(3,620)	(3,140)
(Loss)/income received from foreign currency transactions		(1,140)	12,236
Operating expenses paid		(395,908)	(241,227)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>15,469</b>	<b>211,198</b>
<b>Changes in operating assets</b>			
Net decrease/(increase) in due from other banks		202,511	(297)
Net increase in "reverse REPO" receivables		(465,002)	(1,125,000)
Net decrease/(increase) in short-term loan to the parent bank		549,749	(364,700)
Net decrease in loans to clients		404,833	1,148,022
Net decrease in other assets		-	13,582
<b>Changes in operating liabilities</b>			
Net increase in amounts due to clients		(205,519)	(140,181)
Net (decrease)/increase in correspondent accounts and due from other banks		(3)	144
Net decrease in other liabilities		(4,858)	(33,393)
Income tax paid		(25,802)	(46,000)
<b>Net cash from/(used) in operating activities</b>		<b>471,378</b>	<b>(336,625)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(2,115)	(1,300)
<b>Net cash used in investing activities</b>		<b>(2,115)</b>	<b>(1,300)</b>
<b>Cash flows from financing activities:</b>			
Dividends paid	14	(23,470)	(34,199)
Loans received from Parent Bank	12	234,214	-
<b>Net cash from/(used) in financing activities</b>		<b>210,744</b>	<b>(34,199)</b>
<b>Effect of exchange rates changes on cash</b>		<b>74,592</b>	<b>4,915</b>
<b>Net increase/(decrease) in cash</b>		<b>754,599</b>	<b>(367,209)</b>
Cash, beginning of the year	5	242,271	609,480
<b>Cash, end of the year</b>	5	<b>996,870</b>	<b>242,271</b>

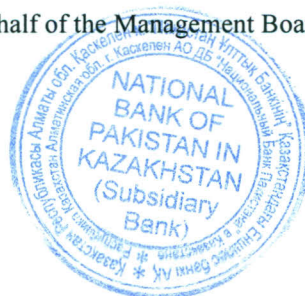
*Accompanying notes on pages 5 to 33 are an integral part of these financial statements.*

**Non-cash transactions:**

In 2015 the Bank accepted the commercial and residential property on balance for the amount of 235,704 thousand tenge for repayment of overdue loans.

Signed and authorized for issuance on behalf of the Management Board of the Bank:

Chairman of the Board



Chief Accountant

  
 Muhammad Anwar Ulhaq  
  
 Pirmaganbetova Akmaral  
 Kozhagulovna

January 29, 2016  
Republic of Kazakhstan, Almaty

# JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

## NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015

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### 1. GENERAL INFORMATION

Joint Stock Company Subsidiary Bank "National Bank of Pakistan" in Kazakhstan (hereinafter - "Bank") is a joint-stock company, which was incorporated in Kazakhstan in 2001. As at December 31, 2015 and 2014 the sole shareholder of the Bank is the National Bank of Pakistan, Karachi (hereinafter "Parent Company of the Bank").

The Bank's activity is regulated by the National Bank of Republic of Kazakhstan (hereinafter - "NBRK"). The key activity is banking operations carried out in the Republic of Kazakhstan. The Bank conducts its business under the license for banking and other operations issued on December 27, 2007. The Bank is a member of JSC "Kazakhstan deposit insurance fund".

As at December 31, 2015 and 2014 the Bank has two branches - in Almaty and Karaganda cities of the Republic of Kazakhstan. The number of employees as at December 31, 2015 is 76 persons (December 31, 2014: 80 persons).

The address of the registered office of the Bank is: Republic of Kazakhstan, Almaty oblast, Kaskelen, Nauryzbay str., 27A.

### 2. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention except as disclosed in the "Summary of significant aspects of accounting policy".

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS") as issued by the International Accounting Standards Board (hereinafter - "IASB").

These financial statements are presented in thousands of Kazakhstani tenge, unless otherwise stated.

#### Standards and Interpretations adopted in the current year

During the reporting year the Bank adopted the following new and revised standards:

- Annual improvements to IFRS, for 2010-2012;
- Annual improvements IFRS for 2011-2013.

Management of the Bank believes that the application of new and revised IFRS amendments and revisions had no significant effect on assets and liabilities presented in the financial statements, statement of profit or loss and other comprehensive income, as well as on the operating results and the statement of changes of equity, and cash flow statement, as well as notes to the financial statements.

# JSC SB “NATIONAL BANK OF PAKISTAN” IN KAZAKHSTAN

## NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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### 2. BASIS OF PREPARATION (CONTINUED)

#### New and revised IFRS - issued but are not yet effective

Bank has not applied the following new and revised IFRS and Interpretations (issued but not yet effective):

- Annual improvements to IFRS, for 2012-2014<sup>1</sup>;
- IAS 14 “Deferred tariff differences accounts”<sup>1</sup>;
- Amendments to IAS 16 and IAS 38 “Explanation of allowable depreciation methods”<sup>1</sup>;
- Amendments to IAS “The use of the equity method in the separate financial statements”<sup>1</sup>;
- Amendments to IAS 16<sup>1</sup>;
- Amendments to IFRS 11 “Accounting for the share acquisition in the joint operations”<sup>1</sup>;
- Amendments to IFRS 10 and IAS 28, “The sale or contribution of assets to the joint investor or associate”<sup>1</sup>;
- IFRS 15 “Revenue from Contracts with Customers”<sup>2</sup>;
- IFRS 9 “Financial Instruments”<sup>3</sup>.

<sup>1</sup>Effective for annual periods beginning on January 1, 2016, with earlier application permitted.

<sup>2</sup>Effective for annual periods beginning on January 1, 2017, with earlier application permitted.

<sup>3</sup>Effective for annual periods beginning on January 1, 2018, with earlier application permitted.

Management anticipates that the application of the above standards will not have a significant impact on the financial statements in the period of initial application.

#### Going concern

These financial statements have been prepared on a going concern basis.

The management believes that the Bank will be able to generate sufficient cash to pay its debts as and when they fall due. The management of the Bank neither have any intention nor necessity to terminate or significantly reduce the size of its business.

In 2015 there were cases of violations of the requirements established by the NBRK. However management believes that these violations will not lead to the termination of the Bank’s activities in the foreseeable future.

#### Accrual basis

These financial statements have been prepared on accrual basis. Accrual basis is provided by the recognition of results of operation activities, as well as events on the fact of their commission, regardless of the time of payment. Transactions and events are recorded in the accounting records and are included in the financial statements of the periods to which they relate.

### 3. SUMMARY OF SIGNIFICANT ASPECTS OF ACCOUNTING POLICY

#### Fair value measurement

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

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

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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#### 3. SUMMARY OF SIGNIFICANT ASPECTS OF ACCOUNTING POLICY (CONTINUED)

##### **Fair value measurement**

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

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

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

##### **Measurement of financial instruments at initial recognition**

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

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

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

##### **Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented in the statement of financial position.

##### **Cash**

Cash consists of cash on hand, cash in NBRK, and cash on current accounts in other banks.

##### **Financial assets**

###### *Initial recognition*

Financial assets are classified into the following categories: financial assets at fair value through profit or loss ("FVTPL"); held-to-maturity ("HTM"); available-for-sale ("AFS") and loans to clients.

The classification of financial assets into one category or another depends on the nature and purpose at initial recognition.

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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#### 3. SUMMARY OF SIGNIFICANT ASPECTS OF ACCOUNTING POLICY (CONTINUED)

##### Financial assets (continued)

###### *Initial recognition (continued)*

All financial assets are recognized initially at fair value. In the case of investments not at fair value through profit or loss, at initial recognition directly attributable transaction costs are added to fair value. The Bank determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

###### *Date of recognition*

All regular purchases and sales of financial assets are recognized on the settlement date i.e. the date that an asset is delivered to or by the Bank. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### Impairment of financial assets

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

###### *Renegotiated loans*

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such restructuring is as follows:

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

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

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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#### 3. SUMMARY OF SIGNIFICANT ASPECTS OF ACCOUNTING POLICY (CONTINUED)

##### **Derecognition of financial assets and liabilities**

###### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized in the statement of financial position when:

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

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

###### *Financial liabilities*

A financial liability is derecognized in statement of financial position when the obligation under the liability is discharged, cancelled or expired.

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

##### **Financial guarantees**

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

Any increase in the liability relating to financial guarantees is taken to the statement of profit or loss and other comprehensive income. The premium received is recognized in profit or loss on a straight-line basis over the life of the guarantee.

##### **"Reverse REPO" agreements**

Securities purchased under agreements to resell ("reverse REPO") are recorded separately in the statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest method.

##### **Amounts due to clients**

Amounts due to clients are initially recognized at fair value. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value recognized in the statements of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

# JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

## NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

### 3. SUMMARY OF SIGNIFICANT ASPECTS OF ACCOUNTING POLICY (CONTINUED)

#### Subordinated loan

In accordance with IAS 32 "Financial Instruments: Presentation", the Bank reviewed the terms of the loan, and identified that the financial instrument contains a liability and equity components. In accordance with the standard initial recognition of these components are classified separately as financial liabilities and equity instruments. As a result, the Bank recognizes a financial liability at fair value, and allocates a portion of shared liability relating to this loan in the capital as part of other reserve capital.

#### Property and equipment

Accounting for property and equipment is carried out in accordance with IAS 16 "Property and equipment", where stated that an object is recognized as property and equipment when: it is more likely probable to assert that the Bank will receive future economic benefits from utilization of the asset; and the actual cost of the assets can be measured reliably.

Initially property and equipment are recorded at cost, which includes the purchase price, import duties and other non-refundable taxes, as well as transportation costs and any direct costs of bringing the asset to working condition for its intended use.

Subsequent expenditures related to an item of property and equipment which has already been recognized increase its carrying value when it is more likely probable that the Bank will receive future economic benefits in excess of the originally assessed standard indicators of the existing asset. All other subsequent expenditures are recognized as an expense in the period in which they are incurred.

After initial recognition as an asset, an item of property and equipment is carried at historical cost less depreciation and impairment losses, accumulated subsequently.

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

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis using the following depreciation rates:

Categories of property and equipment	Rate
Transport	15%
Computers	40%
Other property and equipment	15%

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

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

#### Intangible assets

Accounting for intangible assets is carried out in accordance with IAS 38 "Intangible Assets". Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite. Amortization is calculated on a straight-line basis using a rate of 20%. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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#### 3. SUMMARY OF SIGNIFICANT ASPECTS OF ACCOUNTING POLICY (CONTINUED)

##### **Lease**

###### *Operating lease – Bank as lessee*

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

##### **Taxation**

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

Deferred income tax assets and liabilities are estimated using the liability method on temporary differences. Deferred tax recognized for all temporary differences arose between tax base of assets and liabilities and its carrying value in the financial statements, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income taxes assets are recognized only to the extent that sufficient taxable profit will be available to allow temporary differences to be utilized. Deferred income tax assets and liabilities are measured using the tax rates, which are to be used within the period of asset realization or settlement of the liability according to the legislation that is in force as at reporting date.

There are also other taxes in the Republic of Kazakhstan, which are reflected in the Bank's activities results. These taxes are included as a component of administrative expenses.

##### **Provisions**

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

##### **Retirement and other employee benefit obligations**

The Bank does not have any pension arrangements beside the State pension system of the Republic of Kazakhstan, which requires an employer to make deductions, calculated as a percentage employee remuneration fund. Such deductions are expensed in the period in which the related salaries are earned and included in the statement of profit and loss and other comprehensive income as salary expenses. The Bank also pays social tax to the Republic of Kazakhstan for its employees. Beyond that the Bank has no other employee pension benefits accruals.

##### **Share capital**

Contributions to share capital are recognized at cost.

##### **Contingencies**

Contingent liabilities are not recognized in financial statements but are disclosed unless the possibility of any outflow associated with obtaining economic benefits is not unlikely. Contingent assets are not recognized in financial statements, but are disclosed if the possibility of any outflow associated with obtaining economic benefits is probable.



# JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

## NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

### 3. SUMMARY OF SIGNIFICANT ASPECTS OF ACCOUNTING POLICY (CONTINUED)

#### Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

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

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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

#### Foreign currency translation

The financial statements are presented in tenge, which is the functional and presentation currency of the Bank. Transactions in foreign currencies are initially recorded in the functional currency at the market rate as stated by Kazakhstan Stock Exchange (hereinafter "KASE"), prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. All foreign exchange differences are included to the statement of profit or loss and other comprehensive income as net income/loss from foreign currency transactions. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The currency exchange rates as at the year end at KASE used by the Bank in preparation of financial statements were the following:

Currency	December 31, 2015	December 31, 2014
US dollar	340,01	182,35
Euro	371,46	221,59
Russian ruble	4,61	3,13

### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### Estimation uncertainty

In the process of applying the Bank's accounting policies, management has used the following judgments and made estimates which significantly affect the amounts recognized in the financial statements. The most significant use of judgments and estimates are presented below:

#### *Fair value of financial instruments*

For financial assets and financial liabilities, reported in statement of financial position, not traded in an active market, fair value is determined using appropriate valuation methodologies including mathematic models. The information to these models is taken from observable markets, if possible, otherwise, for the determination of fair value requires judgment to apply.

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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#### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

##### Estimation uncertainty (continued)

###### *Allowance for impairment of loans to clients*

The Bank regularly reviews its loans to assess for impairment. The Bank's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans. The Bank considers accounting estimates related to allowance for impairment of loans a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses and actual losses would require the Bank to record provisions which could have a material impact on its financial statements in future periods.

The Bank uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in the Bank, and national or local economic conditions that correlate with defaults on assets of the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans.

The Bank uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in the historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in the country and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

###### *Write-off of loans and receivables*

In case of failure to recover of loans and receivables, including through repossession of collateral, they are written off against the allowance for impairment. Write-off of loans and receivables is made after the Bank's management has taken all possible actions to collect amounts owed to the Bank, and after the Bank has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as a reduction in the charge for impairment of financial assets in the profit or loss statement and other comprehensive income in the period of the recovery.

###### *Taxation*

Tax, currency and customs legislation of the Republic of Kazakhstan is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and state authorities. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of the review. Under certain circumstances, reviews may cover longer periods.

###### *Fair value in financial instruments*

Note 18 provides detailed information about key assumptions used in estimation of fair value of financial instruments as well as detailed analysis of sensitivity of estimates in regard to these assumptions. The management believes that selected methods of estimation and used assumptions are appropriate for estimation of fair value.

###### *The useful lives of fixed assets and intangible assets*

The Bank considers the useful lives of fixed assets and intangible assets at the end of the each reporting period. The assessment of the useful life of the asset is dependent on factors such as: economic use, repair and maintenance programs, technological improvements and other business conditions. Management's assessment of the useful lives of fixed assets reflects the relevant information at the date of these financial statements.

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### 5. CASH

In thousands of tenge	Note	December 31, 2015	December 31, 2014
"Nostro" accounts in other banks		749,456	87,091
Cash on hand		211,227	112,477
Current accounts with NBRK		36,187	42,703
<b>Total</b>	<b>21</b>	<b>996,870</b>	<b>242,271</b>

Cash is mainly represented by cash on current accounts of international banks and current accounts of second tier banks of Kazakhstan.

According to Kazakhstan legislation the Bank is obliged to support particular reserves which are calculated as a percentage of particular obligations of the Bank. Such reserves should be supported at current accounts in NBRK and/or in form of cash in amount of average monthly aggregate balance of cash on current accounts in NBRK or cash on hand in national currency for the period of the formation of reserves. As at December 31, 2015 required reserves were 14,831 thousand tenge (as at December 31, 2014: 11,907 thousand tenge). As at December 31, 2015 and December 31, 2014 the Bank complies with the minimum reserve requirements for the second-tier banks.

#### 6. "REVERSE REPO" RECEIVABLES

In 2015 the Bank entered into "reverse REPO" agreements through JSC "Kazakhstan Stock Exchange" in amount of 1,950,003 thousand tenge (December 31, 2014: 1,485,001 thousand tenge). As at December 31, 2015 accrued interest amounted to 10,825 thousand tenge (31 December 2014: 3,334 thousand tenge). The subject of these agreements are treasury bills of the Ministry of Finance of Republic of Kazakhstan with annual interest rates ranging from 10% to 31%, maturing in January 2016 and the fair value of 2,097,963 thousand tenge (31 December 2014: bills of the Ministry of Finance of Republic of Kazakhstan with fair value of 1,558,579 thousand tenge, and rates ranging from 15% to 24%).

#### 7. SHORT-TERM LOAN TO THE PARENT BANK

In December 19, 2014 the Bank issued a loan to the parent bank, National Bank of Pakistan in Karachi city in the amount of 2,000 thousand US dollars (equivalent to 364,100 thousand tenge) with annual interest rate of 2.5% for the period of three months (Note 21). As at December 31, 2014 accrued interest amounted to 325 thousand tenge. As of December 31, 2015 the loan was fully repaid on time.

On June 19, 2015 the Bank issued a loan to the parent bank, the National Bank of Pakistan in Karachi city in the amount of 2,000 thousand US dollars with an annual interest rate of 1.5% for the period of three months. On July 31, 2015 the Bank issued another loan in the amount of 1,200 thousand US dollars with an annual interest rate of 1% for a period of three months. As of December 31, 2015 issued loans were fully repaid on time.

#### 8. LOANS TO CLIENTS

In thousands of tenge	December 31, 2015	December 31, 2014
Loans to legal entities	2,231,633	2,997,577
Loans to individuals	605,298	409,489
<b>Gross loans to clients before allowance for impairment</b>	<b>2,836,931</b>	<b>3,407,066</b>
Allowance for impairment of loans to clients	(8,889)	(18,011)
<b>Total</b>	<b>2,828,042</b>	<b>3,389,055</b>

As at December 31, 2014 the Bank has one borrower which accounts for 13% of the maximum level of credit risk (December 31, 2014: 10.71%).

As at December 31, 2015 and 2014 100% of the total credit portfolio was issued to the companies operating in the Republic of Kazakhstan.

As at December 31, 2015 the accrued interest amounted to 322,228 thousand tenge (December 31, 2014: 240,915 thousand tenge).

**JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN**

**NOTES TO FINANCIAL STATEMENTS,  
FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)**

**8. LOANS TO CLIENTS (CONTINUED)**

Analysis of loans by credit quality as at December 31, 2015 is provided below:

In thousands of tenge	Loans to legal entities	Loans to individuals	Total
Not past due and unimpaired	785,972	104,060	890,032
Overdue:			
- past due less than 30 days	148,051	64,626	212,677
- past due from 30 to 90 days	257,198	14,800	271,998
- past due from 90 to 180 days	461,105	163,252	624,357
- past due more than 180 days	579,307	258,560	837,867
Total past due loans to clients	1,445,661	501,238	1,946,899
<b>Gross loans to clients before allowance for impairment</b>	<b>2,231,633</b>	<b>605,298</b>	<b>2,836,931</b>
Allowance for impairment of loans to clients	-	(8,889)	(8,889)
<b>Total</b>	<b>2,231,633</b>	<b>596,409</b>	<b>2,828,042</b>

Analysis of loans by credit quality as at December 31, 2014 is provided below:

In thousands of tenge	Loans to legal entities	Loans to individuals	Total
Not past due and unimpaired	1,810,054	185,002	1,995,056
Overdue:			
- past due less than 30 days	39,066	16,063	55,129
- past due from 30 to 90 days	363,213	111,246	474,459
- past due from 90 to 180 days	362,936	-	362,936
- past due more than 180 days	422,308	97,178	519,486
Total past due loans to clients	1,187,523	224,487	1,412,010
<b>Gross loans to clients before allowance for impairment</b>	<b>2,997,577</b>	<b>409,489</b>	<b>3,407,066</b>
Allowance for impairment of loans to clients	(1,145)	(16,866)	(18,011)
<b>Total</b>	<b>2,996,432</b>	<b>392,623</b>	<b>3,389,055</b>

The analysis of the movement in allowances for impairment of loan portfolio for the year ended December 31 is provided below:

In thousands of tenge	Loans to legal entities	Loans to individuals	Total
<b>January 1, 2014</b>	-	(16,866)	(16,866)
Accrued allowance	(1,145)	-	(1,145)
<b>December 31, 2014</b>	<b>(1,145)</b>	<b>(16,866)</b>	<b>(18,011)</b>
Recovered allowances	1,145	7,977	9,122
<b>December 31, 2015</b>	<b>-</b>	<b>(8,889)</b>	<b>(8,889)</b>

The following table represents the analysis of carrying value of loans to clients by type of collateral:

In thousands of tenge	December 31, 2015	December 31, 2014
Loans collateralized by real estate	2,741,360	3,150,569
Loans collateralized by inventory and equipment	50,926	157,796
Loans collateralized by transport	43,263	94,085
Unsecured loans	1,382	4,616
<b>Gross loans to clients before allowance for impairment</b>	<b>2,836,931</b>	<b>3,407,066</b>
Allowance for impairment of loans to clients	(8,889)	(18,011)
<b>Total</b>	<b>2,828,042</b>	<b>3,389,055</b>

As at December 31, 2015 the value of collateral amounted to 4,287,882 thousand tenge (as at December 31, 2014 it amounted to 5,374,353 thousand tenge).

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### 8. LOANS TO CLIENTS (CONTINUED)

The structure of risk concentration on Bank's customer loan portfolio according to sectors of economy is provided below:

In thousands of tenge	December 31, 2015	December 31, 2014
Production	972,707	1,020,981
Rent services	548,299	641,268
Trade	458,785	641,268
Consumer loans	330,043	409,489
Financial services	238,958	31,973
Construction	137,372	408,519
Food services	108,767	173,973
Medical services	24,006	60,866
Other services	17,994	18,729
<b>Gross loans to clients before allowance for impairment</b>	<b>2,836,931</b>	<b>3,407,066</b>
Allowance for impairment	(8,889)	(18,011)
<b>Total</b>	<b>2,828,042</b>	<b>3,389,055</b>

As at December 31, 2015 and 2014 the share of Bank's ten major borrowers or groups of related borrowers from the total loan portfolio before the allowance for impairment was 64.33% and 53.32% respectively, which represents the significant concentration. The total debt of these loans as at December 31, 2015 and 2014 amounted to 1.827.027 thousand tenge and 1.816.597 thousand tenge, respectively.

Maturity dates of loans in credit portfolio as at reporting date are presented in Note 19, and represent periods from the reporting date to the maturity date of the loan agreements.

#### 9. ASSETS HELD FOR SALE

In 2015 the Bank accepted the commercial and residential property on balance at fair value in the amount of 91,870 thousand tenge for repayment of overdue loans. There were no such assets in 2014.

#### 10. OTHER ASSETS

In thousands of tenge	December 31, 2015	December 31, 2014
Assets held as debt repayment	143,834	–
Prepayments for services	9,502	8,070
Other	1,647	2,738
<b>Total</b>	<b>154,983</b>	<b>10,808</b>

In 2015, court decisions were made on two borrowers in favor of the Bank for the recovery of the outstanding amount of 143,834 thousand tenge, determined on the date of filing of the claim. On the date of the financial statements, the Bank has not finished the procedure of official registration of the assets transferred by the court from borrowers to repay the debt. The registration process will be completed in 2016.

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### 11. AMOUNTS DUE TO CLIENTS

In thousands of tenge	Note	December 31, 2015	December 31, 2014
<b>Current accounts</b>			
<i>Individuals</i>		185,389	123,854
<i>Legal entities</i>		190,748	168,274
<b>Deposits</b>			
<i>Individuals</i>		665,012	462,607
<i>Legal entities</i>		1,606	1,446
<b>Total</b>	<b>21</b>	<b>1,042,755</b>	<b>756,181</b>

As at December 31, 2015 the Bank did not have customer deposits which served as collateral for the obligations on loans and unrecognized loan instruments, presented by the Bank (2014: 64,105 thousand tenge).

In case when term deposit is returned to depositor as per request prior the expiry date, interest on deposit is not paid or paid on lower rate in accordance with terms specified in agreement.

As at December 31, 2015 and 2014 the share of the Bank's ten major clients from total balance of clients' current accounts and deposits amounted to 84.60% and 72.18%, respectively. Aggregate balance of these clients as at December 31, 2015 and 2014 amounted to 563.033 thousand tenge and 545.745 thousand tenge, respectively.

#### 12. SUBORDINATED LOAN

On December 23, 2015 the Bank received a subordinated interest-free loan from the shareholder's bank in the amount of 695,700 thousand US dollars (equivalent to 234,214 thousand tenge), with the shareholder's right to convert the loan into shares of the Bank.

#### 13. TAXATION

The Bank is taxed by official statutory corporate income tax rate of 20%.

The effective rate of corporate income tax differs from statutory. Below is reconciliation of the corporate income tax expenses based on nominal rate with actual tax expenses:

In thousands of tenge	2015	2014
<b>Profit before income tax expense</b>	<b>59,900</b>	<b>215,081</b>
Statutory rate	20%	20%
<b>Income tax expense using statutory rate</b>	<b>11,980</b>	<b>43,016</b>
Permanent differences	(16,934)	143
<b>Income tax (benefit)/expense</b>	<b>(4,954)</b>	<b>43,159</b>
Current income tax expense	-	33,976
Change in deferred income tax recognized in the statement of profit or loss and other comprehensive income	(4,954)	9,183
<b>Income tax (benefit)/expense</b>	<b>(4,954)</b>	<b>43,159</b>

Deferred tax assets are recognized only to the extent that it is probable that there will be future taxable profits available against which the asset can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realized.

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### 13. TAXATION (CONTINUED)

The balance of deferred taxes, calculated by applying the statutory tax rates which are in force at the date of the statement of financial position to the temporary differences between the tax base of assets and liabilities and the amounts reported in the financial statements include the following as at December 31:

In thousands of tenge	December 31, 2015	Changes recognized in the statement of profit or loss	December 31, 2014	Changes recognized in the statement of profit or loss	December 31, 2013
<b>Deferred tax assets</b>					
Property and equipment and intangible assets	1,636	353	1,283	277	1,006
Unused vacation reserve	1,556	(117)	1,673	297	1,376
Tax loss carried forward	4,718	4,718	–	–	–
	<b>7,910</b>	<b>4,954</b>	<b>2,956</b>	<b>574</b>	<b>2,382</b>
<b>Deferred tax liabilities</b>					
Loans to clients	(17,251)	–	(17,251)	(9,757)	(7,494)
<b>Net deferred tax liabilities</b>	<b>(9,341)</b>	<b>4,954</b>	<b>(14,295)</b>	<b>(9,183)</b>	<b>(5,112)</b>

#### 14. EQUITY

As at December 31, 2015 and 2014 the share capital comprises of 8,182 issued and fully paid common shares, with placement value of 500 thousand tenge each. Each common share is entitled to one vote and equal rights to dividends.

Within the reporting period dividends for 2014 were paid in the amount of 23,470 thousand tenge, in 2014 dividends paid for 2013 in amount of 34,199 thousand tenge.

Dividends for one share, including withholding tax paid in 2015 and 2014 amounted to 2,868 tenge and 4,180 tenge, respectively.

As of the financial statements sign off date dividends for 2015 were not accrued and not paid.

In accordance with the decision of the shareholder №2/05-15 dated December 18, 2015 the number of authorized common shares was increased by 21,818 shares, from 8,182 shares up to 30,000 shares.

##### *Reserve capital*

Resolution #296 of Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations dated December 25, 2006 according to which second tier banks had formed general reserve to cover unexpected risks and future losses became suspended from the effective date of Resolution #137 of NBRK dated May 27, 2013. Further situation on actions regarding this reserve on the date of issue of these financial statements is not clear. As at December 31, 2015 and 2014 the reserve capital amounted to 79,620 thousand tenge.

##### *Dynamic reserves*

To improve the stability of the banking sector, by Resolution #137 of the Board of NBRK dated May 27, 2013 number of regulations became invalid, according to which the second-tier banks formed the general reserve to cover any unexpected risks and future losses. According to this Resolution, rules of formation of dynamic reserves were introduced, included as part of the bank's capital.

Dynamic reserves are formed on a quarterly basis and depend on growth rate of credit portfolio; coefficients defining such dependency were set by NBRK every three years, for each loan category: corporate, mortgage, consumer and SME.

# JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

## NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

### 14. EQUITY (CONTINUED)

#### *Dynamic reserves (continued)*

In accordance with the decisions of the financial stability board and the development of the financial market of the Republic of Kazakhstan dated December 11, 2013, the Management of NBRK adopted a resolution #293, according to which the conservation of dynamic reserve formed in 2013 is provided. These actions have been put into effect on January 1, 2014. Currently, decree #293 is being coordinated by the Ministry of Finance of the Republic of Kazakhstan, after coordination with which will be sent to the state registration in the Ministry of Justice of the Republic of Kazakhstan.

As at December 31, 2015 and 2014 the amount of formed dynamic reserves amounted to 86,255 thousand tenge.

### 15. INTEREST INCOME/EXPENSE

In thousands of tenge	2015	2014
<b>Interest income:</b>		
Loans to clients	300,796	516,031
- <i>Unimpaired</i>	300,796	506,194
- <i>Impaired</i>	-	9,837

### 16. ADMINISTRATIVE EXPENSES

In thousands of tenge	2015	2014
Payroll and related expenses	265,025	238,553
Office rent	43,080	36,020
Provision for reimbursement of legal costs (Note 17)	16,183	17,500
Transportation expenses	12,147	9,607
Security	8,493	8,052
Communication services	8,189	11,707
Professional services	6,314	4,856
Taxes other than income tax	6,570	6,212
Depreciation and amortization	6,138	6,471
Technical maintenance	3,801	4,645
Contributions to Kazakhstan deposit insurance fund	3,007	2,504
Insurance	1,517	2,084
Advertising services	195	829
Other	24,621	18,503
<b>Total</b>	<b>405,280</b>	<b>367,543</b>

### 17. COMMITMENTS AND CONTINGENCIES

#### **Operating environment**

Bank's major economic activity is conducted on the territory of the Republic of Kazakhstan. Legislation and other regulations affecting the economic situation in the Republic of Kazakhstan are subject to frequent changes. Due to this the Bank's assets and operations could be at risk in case of decline of political and economic situation.

#### **Claims and litigations**

During the normal activity the Bank is subject to court claims and litigation. According to Management's opinion, probable obligations (if any), rising from such claims and litigation will not have a significant negative effect on the financial position or results of Bank's operations in the future.

The Bank evaluates the probability of material liabilities arising as a result of individual circumstances, and creates reserves in its financial statements only in case of probability that events giving rise to the liability will occur and the amount of the liability can be reliably measured. In the given financial statements a provision for reimbursement of legal costs in amount of 16,183 thousand of tenge was accrued (2014: 17,500 thousand tenge) (Note 16).



## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### 17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### Taxation

The clauses of the various legislative and regulatory acts are not always clearly written and their interpretation depends on the opinions tax inspectors in the field and officials of the Ministry of Finance of Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are frequent. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, regulations and relevant legal acts is severe. Penalties include confiscation of the disputed amounts, as well as fines, usually the amount of 50% of the unpaid taxes and penalties on the double refinancing rate of the National Bank of Kazakhstan.

The Bank believes that it paid or transferred all applicable taxes. In case of doubt, the Bank accrued tax liabilities based on management's reasonable estimates. Bank's Policy provides recognition of reserves in the reporting period, in which there is a probability of loss and the amount of it can be determined with sufficient accuracy. Management believes that as at December 31, 2015 and December 31, 2014 its interpretation of the legislation is appropriate and the Bank's tax, currency and customs positions will be approved.

Due to the uncertainties associated with the Kazakhstan tax system, the potential amount of taxes, penalties and interest may exceed the amount expensed to date and accrued at December 31, 2015 and 2014. Despite the possibility of accrual of such amounts and their potentially significant nature, Management of the Bank believes that they are either unlikely or not measurable, or both at once.

##### Credit related commitments

Bank gives its clients opportunity to receive guarantees which may require that the Bank make payments on behalf of customers. Clients reimburse such payments to the Bank in accordance with the terms of the provision. On mentioned agreements Bank bear risks which are similar to risks on loans and these are mitigated by the same control processes and policies risks.

In thousands of tenge	December 31, 2015	December 31, 2014
Financial guarantees issued	–	64,105
	–	64,105

As at December 31, 2014 financial guarantees were represented in Euro and fully collateralized by cash in Euro. Bank had no material capital commitments as at December 31, 2015 and 2014.

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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#### 17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### Insurance

The Bank insures the civil liability of employer, employees under voluntary medical insurance, as well as vehicles owned by the Bank and the property interest of the persons carrying out environmentally hazardous types of economic and other activities in accordance with the laws of the Republic of Kazakhstan. The Bank bears the risk of loss in relation to the uninsured or partially insured assets and operations.

##### Operating leases

As at December 31, 2015 and 2014 the Bank has no non-cancellable contracts of operating leases.

#### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between well informed, willing parties to make such transaction, from independent parties, other than in a forced or liquidation sale.

##### *Assets and liabilities for which fair value approximates carrying value*

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

##### *Financial assets and financial liabilities carried at amortized cost*

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

As at December 31, 2015 and December 31, 2014 the carrying value of financial assets and liabilities approximates their fair value.

Fair value of financial assets and liabilities is defined as follows:

- fair value of financial assets and liabilities on standard terms, traded on active liquid markets are determined in accordance with market quotations (including quoted in an active market term bonds, notes and perpetual notes);
- fair value of other financial assets and liabilities (excluding derivatives) is defined in accordance with commonly accepted cost calculation models based on discounted cash flow analysis using prices used in market transactions on the relevant date, and dealer quotes for similar instruments.

Bank uses the following hierarchical structure of methods for determining and disclosing the fair value of financial instruments:

- Level 1: quotes (not corrected) on active markets of similar assets or liabilities;
- Level 2: valuation models all initial data of which have a significant effect on the recorded fair value that are directly or indirectly based on information observed on market;
- Level 3: valuation models, using initial data, which have a significant effect on the recorded fair value that are not based on information observed on market.

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

#### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

*Financial assets and financial liabilities carried at amortized cost (continued)*

The following table provides the analysis of financial instruments, not presented at fair value in the financial statements as at December 31, 2015:

In thousands of tenge	Level 1	Level 2	Level 3	Total as at December 31, 2015
Cash	996,870	–	–	996,870
Amounts due from other banks	–	3,270	–	3,270
"Reverse REPO" receivables	–	1,960,828	–	1,960,828
Loans to clients	–	2,828,042	–	2,828,042
<b>Total</b>	<b>996,870</b>	<b>4,792,140</b>	<b>–</b>	<b>5,789,010</b>
Correspondent accounts and amounts due to banks	–	141	–	141
Amounts due to clients	–	1,042,755	–	1,042,755
Subordinated loan	–	234,214	–	234,214
<b>Total</b>	<b>–</b>	<b>1,277,110</b>	<b>–</b>	<b>1,277,110</b>

Following table provides analysis of financial instruments, not presented at fair value in the financial statements as at December 31, 2014:

In thousands of tenge	Level 1	Level 2	Level 3	Total as at December 31, 2014
Cash	242,271	–	–	242,271
Amounts due from other banks	–	1,699	–	1,699
"Reverse REPO" receivables	–	1,488,335	–	1,488,335
Short-term loan to the parent bank	–	365,025	–	365,025
Loans to clients	–	3,389,055	–	3,389,055
<b>Total</b>	<b>242,271</b>	<b>5,244,114</b>	<b>–</b>	<b>5,486,385</b>
Correspondent accounts and amounts due to banks	–	144	–	144
Amounts due to clients	–	756,108	–	756,108
<b>Total</b>	<b>–</b>	<b>756,252</b>	<b>–</b>	<b>756,252</b>

During the year there have been no transfers between 1, 2 and 3 levels.

#### 19. RISK MANAGEMENT

##### Introduction

The Bank manages risk in the continuous process of identifying, evaluating and monitoring, as well as setting risk limits and other controls. The risk management process is crucial to the Bank's continuing profitability and each individual within the Bank is responsible for the risks associated with his or her responsibilities. The Bank is subject to credit risk, liquidity risk and market risk. The Bank is also a subject to operational risks.

The process of independent risk control is not associated with business risks, such as for example changes in the economic environment, technology and changes in the industry. Such risks are controlled by the Bank during the process of strategic planning.

## JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

### NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

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#### 19. RISK MANAGEMENT (CONTINUED)

##### Introduction (continued)

###### *Treasury Department*

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

###### *Internal Audit*

Risk management processes throughout the Bank are audited by the internal audit service, which examines the adequacy of internal control system, conformity of the procedures and the Bank's compliance with the procedures. Internal audit service discusses its findings of the examinations taken with the Management Board and provides its recommendations to the Board of Directors.

##### Operating risk

Operational risk is the risk of system failure, mistakes made by personnel, fraud or external events. When control system stops to function, operational risks could harm reputation, cause legal implications or lead to financial loss. The Bank cannot expect that all operational risks are eliminated, but with the control system and by monitoring and appropriate reaction to potential risks Bank can manage such risks. Control system provides effective division of responsibilities, access rights, approval and reconciliation procedures, employees training and assessment processes, including internal audit. The Management is responsible for operational risk management associated with products, activity, procedures and Bank's systems. During work compliance specialists control consistency and effectiveness of control over the risk of non-compliance with Bank's regulatory requirements.

##### Credit risk

Credit risk is the risk that the Bank will incur a loss due to the fact that its clients or counterparties failed to discharge their contractual obligations. The maximum exposure to credit risk is limited to the carrying amount of financial assets, except for collateralized loans to clients, the value of collateral disclosed in Note 8. The Bank manages credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring compliance with risk limits.

Bank developed a credit quality review procedure in order to provide identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are identified using a credit risk classification system, which assigns each counterparty a risk rating. Ratings are reviewed on regular basis. The credit quality review procedure allows the Bank to assess value of potential loss on exposed risks, and take necessary actions.

Financial assets are classified taking into account the current credit ratings, given by internationally recognized rating agencies, such as standard and Poor's, Fitch and Moody's Investors Service. The highest possible rating is – AAA.

**JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN**

**NOTES TO FINANCIAL STATEMENTS,  
FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)**

**19. RISK MANAGEMENT (CONTINUED)**

**Credit risk (continued)**

Classification of Bank's financial assets on credit ratings as at December 31, 2015 and 2014 is presented below:

In thousands of tenge	BB	BB+	Credit rating not assigned	Total as at December 31, 2015
Cash	136,178	120,849	528,616	785,643
Amounts due from other banks	1,230	-	2,040	3,270
"Reverse REPO" receivables	-	-	1,960,828	1,960,828
Loans to clients	-	-	2,828,042	2,828,042
<b>Total</b>	<b>137,408</b>	<b>120,849</b>	<b>5,319,526</b>	<b>5,577,783</b>

In thousands of tenge	B	B-	Credit rating not assigned	Total as at December 31, 2014
Cash	1,034	-	128,760	129,794
Amounts due from other banks	1,094	605	-	1,699
"Reverse REPO" receivables	-	-	1,488,335	1,488,335
Short-term loan to the parent bank	-	-	365,025	365,025
Loans to clients	-	-	3,389,055	3,389,055
<b>Total</b>	<b>2,128</b>	<b>605</b>	<b>5,371,175</b>	<b>5,373,908</b>

**Credit quality by types of financial assets**

The following table shows carrying value of assets that are not considered to be impaired, which are also classified as past due debt.

In thousands of tenge	Neither past due nor impaired	Past due but not impaired				Impaired financial assets	December 31, 2015
		Less than 30 days	From 31 to 90 days	From 91 days to 180 days	Over 181 days		
Cash	996,870	-	-	-	-	-	996,870
Amounts due from other banks	3,270	-	-	-	-	-	3,270
"Reverse REPO" receivables	1,960,828	-	-	-	-	-	1,960,828
Loans to clients	890,032	212,677	271,998	624,357	828,978	8,889	2,836,931
<b>Total</b>	<b>3,851,000</b>	<b>212,677</b>	<b>271,998</b>	<b>624,357</b>	<b>828,978</b>	<b>8,889</b>	<b>5,797,899</b>

In thousands of tenge	Neither past due nor impaired	Past due but not impaired				Impaired financial assets	December 31, 2014
		Less than 30 days	From 31 to 90 days	From 91 days to 180 days	Over 181 days		
Cash	242,271	-	-	-	-	-	242,271
Amounts due from other banks	1,699	-	-	-	-	-	1,699
"Reverse REPO" receivables	1,488,335	-	-	-	-	-	1,488,335
Short-term loan to the parent bank	365,025	-	-	-	-	-	365,025
Loans to clients	1,995,056	55,129	474,459	362,936	385,200	134,286	3,407,066
<b>Total</b>	<b>4,092,386</b>	<b>55,129</b>	<b>474,459</b>	<b>362,936</b>	<b>385,200</b>	<b>134,286</b>	<b>5,504,396</b>

# JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

## NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)

### 19. RISK MANAGEMENT (CONTINUED)

#### Geographical concentration

The major part of the Bank's financial assets are in Republic of Kazakhstan. The Bank monitors its risk to the legal environment in all countries in which it owns assets and assesses the potential impact on the Bank's activities. In particular, the Bank controls sovereign credit risk, established by international rating agencies. Risk Manager regularly monitors international financial and political news in international media to prevent possible negative effect on the Bank's exposure to risk.

This approach allows the Bank to minimize possible losses due to changes in investment climate in countries, where bank has assets.

Information on geographical concentration of assets and liabilities as at December 31, 2015 is presented below:

In thousands of tenge	Kazakhstan	Not OECD countries	OECD countries	Total December 31, 2015
<b>Financial assets</b>				
Cash	504,442	492,429	–	996,870
Amounts due from other banks	3,270	–	–	3,270
"Reverse REPO" receivables	1,960,828	–	–	1,960,828
Loans to clients	2,828,042	–	–	2,828,042
<b>Total financial assets</b>	<b>5,296,581</b>	<b>492,429</b>	<b>–</b>	<b>5,789,010</b>
<b>Financial liabilities</b>				
Correspondent accounts and amounts due to banks	141	–	–	141
Amounts due to clients	1,042,755	–	–	1,042,755
Subordinated loan	–	234,214	–	234,214
<b>Total financial liabilities</b>	<b>1,042,896</b>	<b>234,214</b>	<b>–</b>	<b>1,277,110</b>
<b>Net position</b>	<b>4,253,685</b>	<b>258,215</b>	<b>–</b>	<b>4,511,900</b>

Information on geographical concentration of assets and liabilities as at December 31, 2014 is presented below:

In thousands of tenge	Kazakhstan	Not OECD countries	OECD countries	Total December 31, 2014
<b>Financial assets</b>				
Cash	156,214	86,057	–	242,271
Amounts due from other banks	1,699	–	–	1,699
"Reverse REPO" receivables	1,488,335	–	–	1,488,335
Short-term loan to the parent bank	–	365,025	–	365,025
Loans to clients	3,389,055	–	–	3,389,055
<b>Total financial assets</b>	<b>5,035,303</b>	<b>451,082</b>	<b>–</b>	<b>5,486,385</b>
<b>Financial liabilities</b>				
Correspondent accounts and amounts due to banks	144	–	–	144
Amounts due to clients	756,181	–	–	756,181
<b>Total financial liabilities</b>	<b>756,325</b>	<b>–</b>	<b>–</b>	<b>756,325</b>
<b>Net position</b>	<b>4,278,978</b>	<b>451,082</b>	<b>–</b>	<b>4,730,060</b>

**JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN**

**NOTES TO FINANCIAL STATEMENTS,  
FOR THE YEAR ENDED DECEMBER 31, 2015 (CONTINUED)**

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**19. RISK MANAGEMENT (CONTINUED)**

**Liquidity risk and funding management**

Liquidity risk is the risk of difficulties in obtaining the funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The committee on active-passive transactions management ("CAPM") and Risk manager control of liquidity risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Management of current liquidity is carried out by Treasury, which makes transactions on cash markets in order to support the current liquidity and optimization of cash flows.

JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

NOTES TO FINANCIAL STATEMENTS,  
FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

19. RISK MANAGEMENT (CONTINUED)

Liquidity risk and funding management (continued)

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on client and banking operations, included in the process of asset and liability management. The Bank's Board sets limits in terms of minimum proportion of maturing funds available to meet deposit withdrawals, and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels.

Liquidity risk analysis as at December 31, 2015 is presented below:

In thousands of tenge	Rate	Due on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total December 31, 2015
<b>Financial assets</b>						
"Reverse REPO" receivables	10-31.5%	–	1,960,828	–	–	1,960,828
Loans to clients	12-20%	1,004,522	15,446	96,527	1,711,547	2,828,042
<b>Total interest bearing financial assets</b>		<b>1,004,522</b>	<b>1,976,274</b>	<b>96,527</b>	<b>1,711,547</b>	<b>4,788,870</b>
Cash	–	996,870	–	–	–	996,870
Amounts due from other banks	–	2,040	1,230	–	–	3,270
<b>Total financial assets</b>	–	<b>2,003,432</b>	<b>1,977,504</b>	<b>96,527</b>	<b>1,711,547</b>	<b>5,789,010</b>
<b>Financial liabilities</b>						
Amounts due to clients	3.5-10%	375,611	3,499	19,272	644,373	1,042,755
<b>Total interest bearing financial liabilities</b>		<b>375,611</b>	<b>3,499</b>	<b>19,272</b>	<b>644,373</b>	<b>1,042,755</b>
Correspondent accounts and amounts due to banks		141	–	–	–	141
Subordinated loan		–	–	–	234,214	234,214
<b>Total financial liabilities</b>		<b>375,752</b>	<b>3,499</b>	<b>19,272</b>	<b>878,587</b>	<b>1,277,110</b>
Changes between financial assets and financial liabilities		1,627,680	1,974,005	77,255	832,960	4,511,900
Changes between interest bearing financial assets and interest bearing financial liabilities		628,911	1,972,775	77,255	1,067,174	3,746,115
<b>Changes between interest bearing financial assets and interest bearing financial liabilities, cumulative total</b>		<b>628,911</b>	<b>2,601,686</b>	<b>2,678,941</b>	<b>3,746,115</b>	
<b>Changes between interest bearing financial assets and interest bearing financial liabilities, in % of total assets, cumulative</b>		<b>10%</b>	<b>43%</b>	<b>44%</b>	<b>62%</b>	



JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

NOTES TO FINANCIAL STATEMENTS,  
FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

19. RISK MANAGEMENT (CONTINUED)

Liquidity risk and funding management (continued)

Liquidity risk analysis as at December 31, 2014 is presented below:

In thousands of tenge	Rate	Due on demand	Less than 3 months	3 to 12 months	1 to 5 years	Total December 31, 2014
<b>Financial assets</b>						
"Reverse REPO" receivables	15-24%	–	1,488,335	–	–	1,488,335
Short-term loan to the parent bank	2.5%	–	365,025	–	–	365,025
Loans to clients	12-20%	91,301	4,545	146,022	3,147,187	3,389,055
<b>Total interest bearing financial assets</b>		<b>91,301</b>	<b>1,857,905</b>	<b>146,022</b>	<b>3,147,187</b>	<b>5,242,415</b>
Cash		242,271	–	–	–	242,271
Amounts due from other banks		1,094	605	–	–	1,699
<b>Total financial assets</b>		<b>334,666</b>	<b>1,858,510</b>	<b>146,022</b>	<b>3,147,187</b>	<b>5,486,385</b>
<b>Financial liabilities</b>						
Amounts due to clients	9-10%	227,950	28,264	105,595	394,372	756,181
<b>Total interest bearing financial liabilities</b>		<b>227,950</b>	<b>28,264</b>	<b>105,595</b>	<b>394,372</b>	<b>756,181</b>
Correspondent accounts and amounts due to banks		144	–	–	–	144
<b>Total financial liabilities</b>		<b>228,094</b>	<b>28,264</b>	<b>105,595</b>	<b>394,372</b>	<b>756,325</b>
Changes between financial assets and financial liabilities		106,572	1,830,246	40,427	2,752,815	4,730,060
Changes between interest bearing financial assets and interest bearing financial liabilities		(136,649)	1,829,641	40,427	2,752,815	4,486,234
<b>Changes between interest bearing financial assets and interest bearing financial liabilities, cumulative total</b>		<b>(136,649)</b>	<b>1,692,992</b>	<b>1,733,419</b>	<b>4,486,234</b>	
<b>Changes between interest bearing financial assets and interest bearing financial liabilities, in % of total assets, cumulative</b>		<b>(2)%</b>	<b>31%</b>	<b>31%</b>	<b>81%</b>	

JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

NOTES TO FINANCIAL STATEMENTS,  
FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

19. RISK MANAGEMENT (CONTINUED)

Liquidity risk and funding management (continued)

*Analysis of financial assets and financial liabilities by remaining contractual maturities*

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

In thousands of tenge	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Total as at December 31, 2015
<b>Financial assets</b>							
Cash	996,870	—	—	—	—	—	996,870
Amounts due from other banks	3,270	—	—	—	—	—	3,270
"Reverse REPO" receivables	1,979,423	—	—	—	—	—	1,979,423
Loans to clients	1,004,522	16,025	3,068	107,723	2,481,431	378,917	3,991,686
<b>Total financial assets</b>	<b>3,984,085</b>	<b>16,025</b>	<b>3,068</b>	<b>107,723</b>	<b>2,481,431</b>	<b>378,917</b>	<b>6,971,249</b>
<b>Financial liabilities</b>							
Correspondent accounts and amounts due to banks	141	—	—	—	—	—	141
Amounts due to clients	—	375,611	3,499	19,272	644,373	—	1,042,755
Subordinated loan	—	—	—	—	—	234,214	234,214
<b>Total financial liabilities</b>	<b>141</b>	<b>375,611</b>	<b>3,499</b>	<b>19,272</b>	<b>644,373</b>	<b>234,214</b>	<b>1,277,110</b>

JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

NOTES TO FINANCIAL STATEMENTS,  
FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

19. RISK MANAGEMENT (CONTINUED)

Liquidity risk and funding management (continued)

*Analysis of financial assets and financial liabilities by remaining contractual maturities (continued)*

In thousands of tenge	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 3 years	From 3 to 5 years	Total as at December 31, 2014
<b>Financial assets</b>							
Cash	242,271	–	–	–	–	–	242,271
Amounts due from other banks	1,699	–	–	–	–	–	1,699
"Reverse REPO" receivables	1,756,003	–	–	–	–	–	1,756,003
Short-term loan to the parent bank	–	372,313	–	–	–	–	372,313
Loans to clients	80,173	4,134	57,407	99,004	4,992,930	1,102,124	6,335,772
<b>Total financial assets</b>	<b>2,080,146</b>	<b>376,447</b>	<b>57,407</b>	<b>99,004</b>	<b>4,992,930</b>	<b>1,102,124</b>	<b>8,708,058</b>
<b>Financial liabilities</b>							
Correspondent accounts and amounts due to banks	144	–	–	–	–	–	144
Amounts due to clients	235,508	19,709	106,099	1,546	435,064	–	797,926
<b>Total financial liabilities</b>	<b>235,652</b>	<b>19,709</b>	<b>106,099</b>	<b>1,546</b>	<b>435,064</b>	<b>–</b>	<b>798,070</b>

**JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN**

**NOTES TO FINANCIAL STATEMENTS,  
FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)**

**19. RISK MANAGEMENT (CONTINUED)**

**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, exchange rates and equity prices. Market risk is managed and monitored using sensitivity analysis.

*Currency risk*

Currency risk is the risk that value of financial instrument will fluctuate due to changes in currency exchange rate.

In thousands of tenge	Tenge	US dollar	Euro	Russian ruble	Total December 31, 2015
<b>Financial assets</b>					
Cash	75,367	898,636	22,076	791	996,870
Amounts due from other banks	370	2,900	–	–	3,270
“Reverse REPO” receivables	1,960,828	–	–	–	1,960,828
Loans to clients	2,828,042	–	–	–	2,828,042
<b>Total financial assets</b>	<b>4,864,607</b>	<b>901,536</b>	<b>22,076</b>	<b>791</b>	<b>5,789,010</b>
<b>Financial liabilities</b>					
Correspondent accounts and amounts due to banks	141	–	–	–	141
Amounts due to clients	113,913	922,450	6,390	2	1,042,755
Subordinated loan	–	234,214	–	–	234,214
<b>Total financial liabilities</b>	<b>114,054</b>	<b>1,156,664</b>	<b>6,390</b>	<b>2</b>	<b>1,277,110</b>
<b>Difference between financial assets and financial liabilities</b>	<b>4,750,553</b>	<b>(255,128)</b>	<b>15,686</b>	<b>789</b>	

In thousands of tenge	Tenge	US dollar	Euro	Russian ruble	Total December 31, 2014
<b>Financial assets</b>					
Cash	73,083	100,111	68,996	81	242,271
Amounts due from other banks	240	1,459	–	–	1,699
“Reverse REPO” receivables	1,488,335	–	–	–	1,488,335
Short-term loan to the parent bank	–	365,025	–	–	365,025
Loans to clients	3,255,298	133,757	–	–	3,389,055
<b>Total financial assets</b>	<b>4,816,956</b>	<b>600,352</b>	<b>68,996</b>	<b>81</b>	<b>5,486,385</b>
<b>Financial liabilities</b>					
Correspondent accounts and amounts due to banks	144	–	–	–	144
Amounts due to clients	88,780	595,365	72,002	34	756,181
<b>Total financial liabilities</b>	<b>88,924</b>	<b>595,365</b>	<b>72,002</b>	<b>34</b>	<b>756,325</b>
<b>Difference between financial assets and financial liabilities</b>	<b>4,728,032</b>	<b>4,987</b>	<b>(3,006)</b>	<b>47</b>	

**JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN**

**NOTES TO FINANCIAL STATEMENTS,  
FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)**

**19. RISK MANAGEMENT (CONTINUED)**

**Sensitivity analysis to currency risk**

The table below provides analysis of Bank's sensitivity to increase or decrease by 50% of the value of the U.S. dollar, Euro, Russian ruble to tenge. This is the level of sensitivity which Bank uses for internal reporting on currency risk for Bank's key management personnel and represents management's assessment of the possible change in currency exchange rates. Sensitivity analysis includes only amounts in foreign currency at the end of the period, which are converted at the end of the period by 50% rate to increase or decrease in comparison to the actual rate. The sensitivity analysis includes loans to the clients of the Bank, if such loans are given in a currency other than the functional currency of the Bank.

In thousands of tenge	2015		2014	
	Change in exchange rate in %	Impact on income before tax expense	Change in exchange rate in %	Impact on income before tax expense
US Dollar	50%	(127,564)	+20%	997
	-50%	127,564	-20%	(997)
Euro	50%	7,843	+20%	(601)
	-50%	(7,843)	-20%	601
Russian ruble	50%	394	+20%	9
	-50%	(394)	-20%	(9)

**20. CAPITAL MANAGEMENT**

The Bank maintains an active management of capital base to cover the risks inherent in the business. The Bank's sufficiency of capital is monitored using, amongst other measures, norms established by the legislation of the Republic of Kazakhstan.

Main object of capital management for Bank is to provide Bank's compliance to external requirements in terms of capital and support of high credit rate and norms of capital sufficiency required for activity.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. There have been no changes in the objectives, policies and processes of capital management from prior year; however the Board of Directors pays constant attention to this issue.

In accordance with the effective capital requirements, set by NBRK, the Bank should keep k1.1, k1.2 and k2 coefficients.

As at December 31, 2015 the capital adequacy coefficients exceeded statutory minimum: k1.1 (standard – 0.05) – 0.83; k1.2 (standard – 0.06) – 0.83 and k2 (standard – 0.075) – 0.87. As at December 31, 2014 the capital adequacy coefficients exceeded statutory minimum: k1.1 (standard – 0.05) – 0.83; k1.2 (standard – 0.05) – 0.86 and k2 (standard – 0.1) – 0.89.

# JSC SB "NATIONAL BANK OF PAKISTAN" IN KAZAKHSTAN

## NOTES TO FINANCIAL STATEMENTS, FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

### 21. RELATED PARTY TRANSACTIONS

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties include the Bank's shareholders, companies under common control, key management personnel and their close relatives and companies in which they have control or significant influence on decision making. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

#### Terms and conditions of transactions with related parties

Transactions with related parties were conducted on terms agreed between the parties, which are not necessarily carried out on market terms. Outstanding balances at the end of year are not collateralised and payments are made in cash, except as described below. For the year ended December 31, 2015, the Bank did not reflect any impairment of loans to shareholders and management personnel (2014: nil).

In thousand tenge	December 31, 2015		December 31, 2014	
	Operations with related parties	Totals by categories in compliance with accounts of financial statement	Operations with related parties	Totals by categories in compliance with accounts of financial statement
<b>Cash</b>	<b>492,429</b>	<b>996,870</b>	<b>86,057</b>	<b>242,271</b>
Parent bank (Note 5)	492,429	–	86,057	–
<b>Short-term loan to the parent bank</b>	<b>–</b>	<b>–</b>	<b>365,025</b>	<b>365,025</b>
Parent bank (Note 7)	–	–	365,025	–
<b>Subordinated loan</b>	<b>234,214</b>	<b>234,214</b>	<b>–</b>	<b>–</b>
Parent bank (Note 12)	234,214	–	–	–
<b>Amounts due to Clients (Note 11)</b>	<b>9</b>	<b>1,042,755</b>	<b>–</b>	<b>756,108</b>
Key management personnel	9	–	–	–
<b>Interest income</b>	<b>7,464</b>	<b>511,559</b>	<b>325</b>	<b>595,705</b>
Parent bank	7,464	–	325	–
<b>Administrative expenses</b>	<b>(20,467)</b>	<b>(405,280)</b>	<b>(35,842)</b>	<b>(367,582)</b>
Key management personnel	(20,467)	–	(35,842)	–

#### Key management remuneration

Key management personnel consist of the Acting Chairman of the Board, Chief Manager and Chief Accountant of the Bank, total of 3 persons as at December 31, 2015 (2014: 3 persons). Total compensation to key management personnel included in administrative expenses in the statement of profit or loss and other comprehensive income is 20,467 thousand tenge for the year ended December 31, 2014 (2014: 35,842 thousand tenge). The remuneration of key management personnel includes salaries and other payments in accordance with the internal regulations of the Bank.

### 22. SUBSEQUENT EVENTS

As of the date of the approved financial statements the Bank had no significant events that would have a significant impact on the Bank's ability to continue its activities in the foreseeable future.