

REPORT
of the National Bank of the Republic of Kazakhstan
for 2016

Almaty, 2017

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Address of the Governor of the National Bank of the Republic of Kazakhstan

Dear Ladies and Gentlemen!

For the National Bank, the past year of 2016 turned out to be the time to test the targeted development strategy that the Bank had chosen, and it gave credence to the ability of the country's financial system to adapt to the demanding environment.

The National Bank focused on its main objective – ensuring the price stability. As a result, it managed to achieve significant deceleration of inflation: from 17.7% in June 2016 to 8.5% in December 2016. Today, it can surely be inferred that inflationary and devaluation expectations of the population have decreased significantly.

These positive changes were supported by the inflation targeting policy implemented by the regulator. Having ensured that inflationary expectations will be brought down in the medium term, the policy chosen by the National Bank help the real sector effectively solve its planning objectives and, as a consequence, objectives for investments in the business development.

As part of its transition to the inflation targeting regime, the National Bank made a sustained and comprehensive effort. Particularly, measures were taken to restore the balance in the money market and in the foreign exchange market; issues pertinent to the financial stability were addressed; the system of monetary policy instruments was designed; the forecasting and modeling system was established. The base rate established by the financial regulator currently serves as a benchmark for the value of money for all market participants.

However, it should be mentioned that efficiency of our work is constrained by a persistently high level of dollarization in the economy. Therefore, we adopted a plan of actions aimed at dedollarization. By this time, we can note fundamental improvements in this area. Thus, during 2016 deposits in the tenge increased by 66.4%, and foreign currency deposits decreased by 9.9%. Stabilization of the situation in the foreign exchange market and the increasing attractiveness of the tenge contributed to such outcome to a large extent. The National Bank will continue with its effort to dedollarize the economy.

In line with the inflation targeting principles, the National Bank was adhering to the floating exchange rate policy throughout 2016. Accordingly, the exchange rate of the domestic currency was behaving under the impact of fundamental external and internal factors. The National Bank's participation in foreign exchange auctions was not of a regular nature, and our operations have been equal to zero since September of the past year. Despite this fact, over 2016 tenge had appreciated by 2% and was KZT 333.29 per US Dollar at the end of December.

During the next stage of a full-scale inflation targeting, our goal is to reduce inflation to 4% by 2020. Measures taken by the National Bank to attain this long-term goal will be of a balanced nature. This will help retaining the achieved

positive outcomes of the country's macroeconomic development and attaining a further steady and sustainable growth of the economy.

The National Bank initiated systemic operations on the stabilization and development of financial sector. At present, objectives aimed at recovering the banking sector, as well as developing the insurance and stock markets, remain of the highest importance. In 2016, we took steps to reinforce the efforts made by banks in dealing with credit risk. In the nearest term, we must take measures aimed to improve quality of bank assets that should result in the increased financial soundness of banks.

It is critical for the regulator to know about the problems both in the banking system as a whole and in each individual bank. In view of this, as part of new communications with the financial sector, in 2016 the National Bank had meetings with virtually all participants of the banking and insurance markets and the securities market. We hope that our partnership relations and joint efforts in ensuring the financial system's stability and protecting rights of the financial services consumers will develop further.

We are happy to inform you that in 2016 the National Bank successfully accomplished the mission entrusted by the country's President to reimburse tenge deposits of individuals in connection with transition to the free floating exchange rate regime. The total amount of paid reimbursements was KZT 53.9 bln.

In 2016, our country celebrated the 25th anniversary of its independence. The National Bank also took part in the celebration of this important date: a 10 000 tenge jubilee banknote as well as commemorative silver coins were issued. The National Bank held a number of conferences dedicated to tenge as well as an exposition of banknotes and coins of the domestic currency.

We hope that our openness and a relevant communication policy will be increasing confidence in the National Bank on the part of the business community and the country's population. And the Annual Report of the National Bank's performance as presented for your consideration serves as an evidence of our openness in all respects.

Daniyar AKISHEV,
Governor of the National Bank

Summary of the Annual Performance

1. In 2016, the GDP growth accounted for 1.0%, according to the updated information from the Committee on Statistics of the Ministry of National Economy. The main contribution to the GDP growth was made by the construction sector, agriculture and the manufacturing industry, which indicates that the share of the non-oil sector increased.

2. At the end of 2016, the inflation had been at 8.5% (December 2016 to December 2015), having decreased from a two-digit number of 13.6% in 2015. The largest contribution was made by the 9.7% increase in prices of foodstuffs.

3. Throughout 2016, the National Bank was adhering to the free floating exchange rate policy of the tenge. Alongside with this, the situation in the foreign exchange market was influenced by price fluctuations in the global commodity markets as well as by the behavior of local currencies in the countries – Kazakhstan's main trading partners.

In 2016, the exchange rate of the tenge was fluctuating within the range of KZT 327.66-383.91 per the US Dollar. At the end of December on the year-to-date basis, the stock exchange rate of the tenge had appreciated by 2.0% and was KZT 333.29 per 1 USD.

4. During 2016, assets of the banking sector increased by KZT 1.8 trln., or by 7.5% and amounted to KZT 25.6 trln. Total assets of insurance organizations increased by 3.8% and reached KZT 856.5 bln. The amount of pension accumulations totaled KZT 6.7 trln., having increased by 857.1 bln., or by 14.7% during 2016.

5. In 2016, the volume of deposits of residents with depository institutions increased by 13.7% to KZT 18.2 trln.

The increase in the domestic currency deposits and the decrease in foreign currency deposits resulted in that the level of dollarization of deposits decreased from 69.0% to 54.6%. Along with that, during 2016 deposits of non-bank legal entities increased by 12.5% to KZT 10.3 trln., and deposits of individuals – by 15.4% to KZT 7.8 trln.

6. In 2016, the volume of bank credits to the economy increased by 1.5% to KZT 12.9 trln.

Credits in the domestic currency increased by 3.2% to KZT 8.7 trln., whereas credits in foreign currency decreased by 1.9% to KZT 4.2 trln. Dollarization of credits decreased from 33.7% to 32.6%.

7. In 2016, 35.3 million transactions amounting to KZT 590.7 trln. had been processed in the Interbank System of Money Transfers and the Interbank Clearing System. Versus 2015, the quantity of payments in the payment systems increased by 0.63%, and the amount of payments increased by 2.5 times.

The total number of issued and disseminated payment cards at January 1, 2017 was 15.7 million, the average number of payment cards in use in 2016 was 8.0 mln., exceeding the corresponding indicator of 2015 by 11.3%.

8. Gross gold and foreign currency reserves of the National Bank at the end of 2016 amounted to USD 29.5 bln. and had increased by USD 1.7 bln. or by 6.0% over the year.

9. The market value of portfolio held by the National (Oil) Fund of the Republic of Kazakhstan at the end of 2016 was USD 64.2 bln. The return on the National Fund's portfolio accounted for 0.84%.

Section 1. Economic Development

1.1. Development of the Global Economy

Throughout 2016, international commodity and financial markets were characterized by high instability. Despite their overall fall in the average annual terms, prices of raw commodities demonstrated recovery and prices of foodstuffs showed a minor decline. So, at the end of December 2016 as compared to December 2015, the price of oil (Brent) increased by 55%, the price of copper – by 17%, of steel – by 38%, of aluminum – by 14%, and the price of wheat declined by 13%¹.

Recovery of oil and metal prices, and moderate demand on the part of Russia and China made a positive contribution to Kazakhstan's macroeconomic development.

Generally favorable developments in commodity markets had a positive effect on the terms of trade of exporters of raw commodities, Russia in particular. Despite existing reciprocal economic sanctions between Russia and Western countries, recovery of oil prices as well as high returns on Russian assets were conducive to appreciation of the Russian ruble. So, based on performance at end-December 2016 as compared to December 2015, the nominal exchange rate of the Russian ruble against the US Dollar appreciated by 17%².

Positive behavior of the Russian ruble as well as a feeble consumer and investment demand amidst a moderately tight monetary policy of the Central Bank of the Russian Federation had driven the decline in the annual inflation from 12.9% in 2015 to 5.4% at the end of 2016. Given the improved external economic environment, during 2016 Russia's GDP reduced by 0.2% in real terms as compared to the 2.8% reduction in 2015³.

The economy of the People's Republic of China stopped deceleration of its growth and, starting from the second quarter of 2016, was developing at a steady pace being influenced by the government stimulus package, the continuing boom in the real estate market as well as by the increased prices of raw commodities. Nonetheless, the annual growth of real GDP in 2016 appeared to be the minimal over the last 26 years and accounted for 6.7%⁴. Such low growth rates along with the persisting structural imbalances in the economy increased the capital outflow,

¹ According to Bloomberg

² According to the Central Bank of the Russian Federation

³ According to the Federal State Statistics Service of the Russian Federation (Rosstat)

⁴ According to the National Bureau of Statistics of China

thus causing the growth devaluation expectations and gradual depreciation of the local currency. During 2016, the nominal exchange rate of the Yuan against the US Dollar depreciated almost by 7%⁵.

The decreased growth rates in the European Union had a minor constraining effect on the Kazakh economy. So, during 2016 the growth rate of the EU's economy accounted for 1.9%, whereas in 2015 it was 2.2%⁶. Such slowdown was caused by a moderate consumer and investment demand in the environment of economic uncertainty associated with consequences of Britain's decision to exit from the European Union based on the referendum in June 2016, as well as reciprocal sanctions with Russia. In these circumstances, along with persistently low interest rates of the European Central Bank and the increased policy rate of the US Federal Reserve System, in 2016 the nominal exchange rate of the Euro against the US Dollar depreciated by 3%⁷.

The US Federal Reserve System which was keeping its policy rate within the range of 0.25-0.50% during 11 months of 2016, in December 2016 raised it to 0.50-0.75% and also signaled the market about the accelerated increase of the rate in 2017. Such decision was dictated by the fact that the US economy is approaching its full employment and by accelerated inflation as well as by a potentially protectionist and stimulative fiscal policy of Donald Trump, the new US President. Meantime, such circumstances had an indirect impact on Kazakhstan, which was mainly realized via the foreign exchange channel, namely via appreciation of the US Dollar against major world currencies.

Thus, during 2016 the foreign economic environment was largely having a favorable impact on the development of the Kazakh economy.

1.2. Real Sector of the Economy

In 2016, the development of the Kazakh economy was divergent. Because the situation in the global commodity markets deteriorated at the beginning of 2016, specifically because of the decline in oil prices and the reduced external and domestic demand, Kazakhstan's GDP in the first quarter of 2016 decreased by 0.1% in annual terms for the first time since 2009.

During subsequent quarters of 2016, the economic situation was recovering being promoted by the measures taken by the Government as part of the anti-crisis economic stimulus and diversification programs, by the improving and stabilizing external economic environment as well as by a gradual adaptation of economic entities to new macroeconomic conditions.

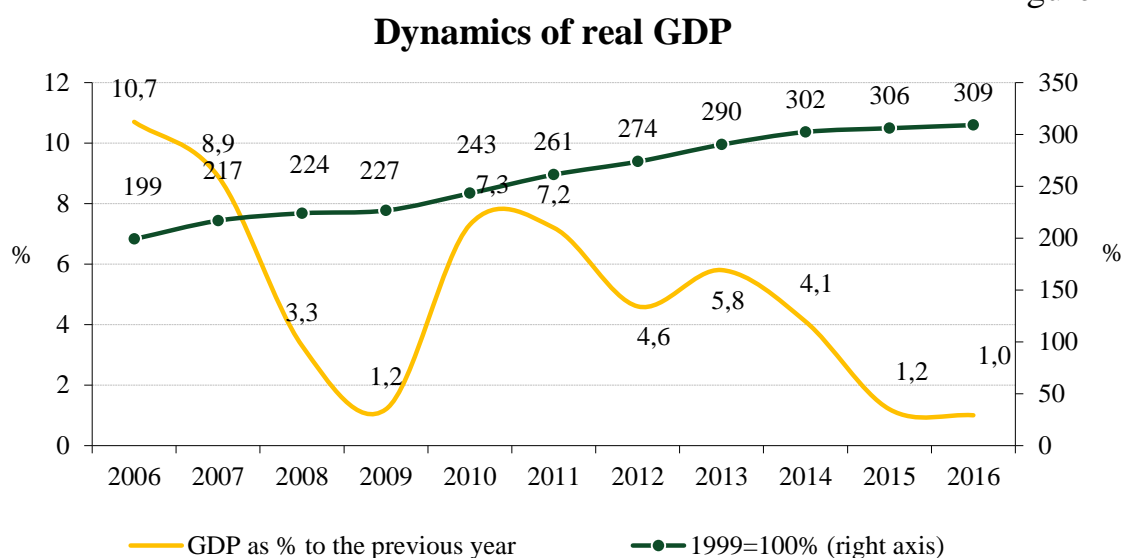
According to the updated information, during 2016, Kazakhstan's GDP increased by 1.0% (in 2015 – by 1.2%) in real terms, amounting to KZT 45.7 trln. in current prices (Figure 1.2.1).

⁵ According to Reuters

⁶ According to Eurostat

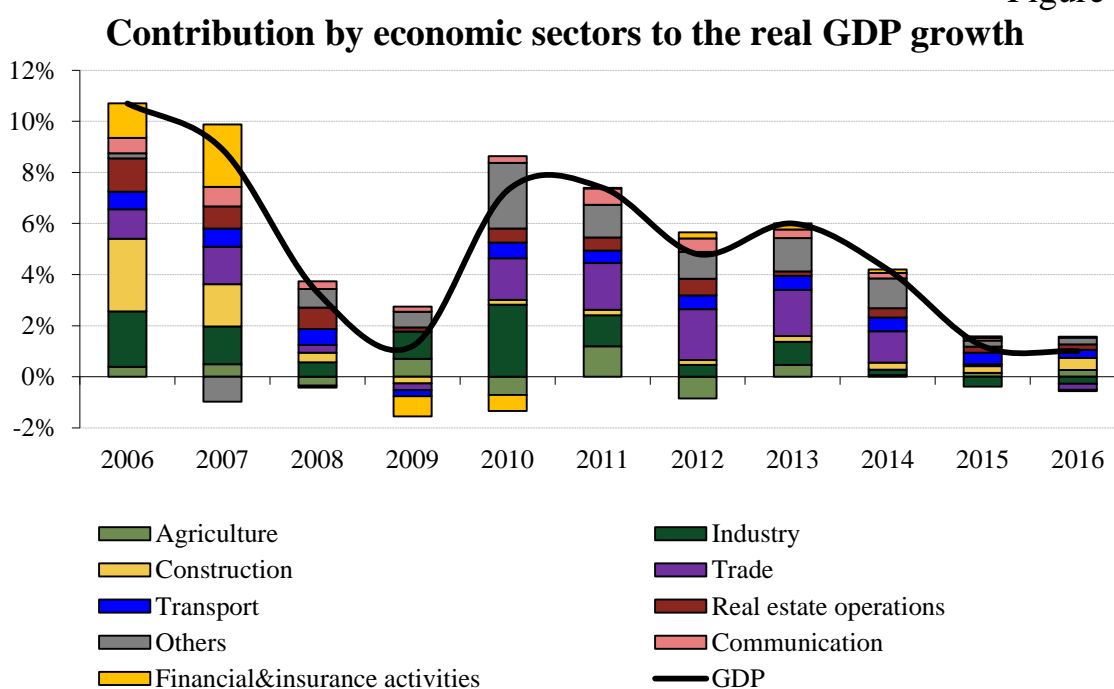
⁷ According to Reuters

Figure 1.2.1



A significant contribution to the GDP dynamics was made by such sectors as construction (at the end of 2016 the growth accounted for 7.9%), agriculture (5.5%), the manufacturing industry (0.7%), and transport (3.7%), indicating that the share of the non-oil sector increased (Figure 1.2.2).

Figure 1.2.2



The beginning of crude oil extraction in the Kashagan oil field in October 2016 helped reduce the drop in the production volumes in the mining industry, which accounted for 2.7% at the end of 2016. High growth rates were recorded in the extraction of non-ferrous metal ores as a result of commissioning of new ore deposits.

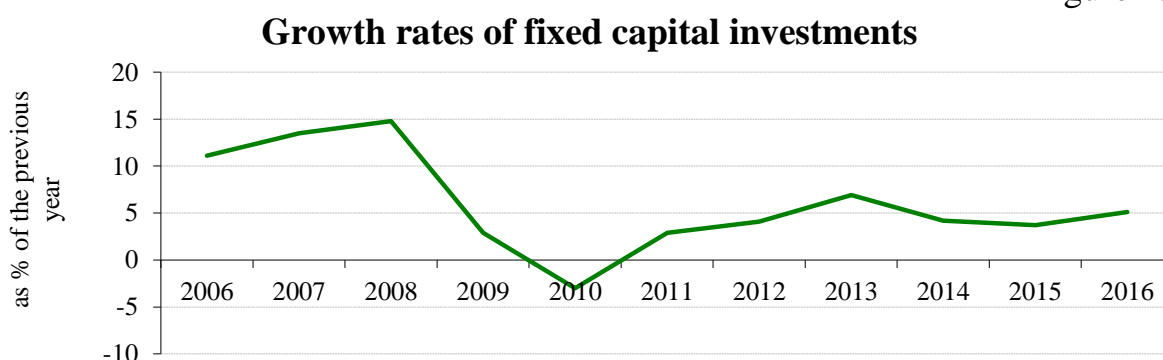
The decreased real cash income of the population coupled with depreciation of the domestic currency exchange rate during 2016 had a negative impact on the

domestic demand and, therefore, on a number of branches in the services production. Along with the decreased influence by negative factors, some positive trends outlined: at the end of 2016, volumes of retail sales increased by 0.9% after their reduction at the beginning of the year, and the decline in the provision of services sector reduced to 2.0%.

In the services sector, positive pattern is noted in the healthcare sector (the growth of 1.9%), education (1.5%), real estate operations (2.3%) and activities in the area of administrative and ancillary service (2.0%).

High growth rates of fixed capital investments are persisting, both on the part of the government and the private sector. During 2016, the volume of fixed capital investments increased by 5.1% (in 2015 – by 3.7%) (Figure 1.2.3) and was mainly secured by the increased investments in agriculture (by 46.7%), accommodation and catering services (44.6%), real estate operations (13.7%), trade (10.3%) and the industry (5.6%). A significant share of fixed capital investments falls on the mining industry (35.7%), transport and warehousing (15.0%), and real estate operations (12.2%).

Figure 1.2.3



The main source of funding for fixed capital investments is still represented by own funds of enterprises, whose share in the total investment volume accounted for 60.7%.

1.3. Inflation and Inflationary Processes

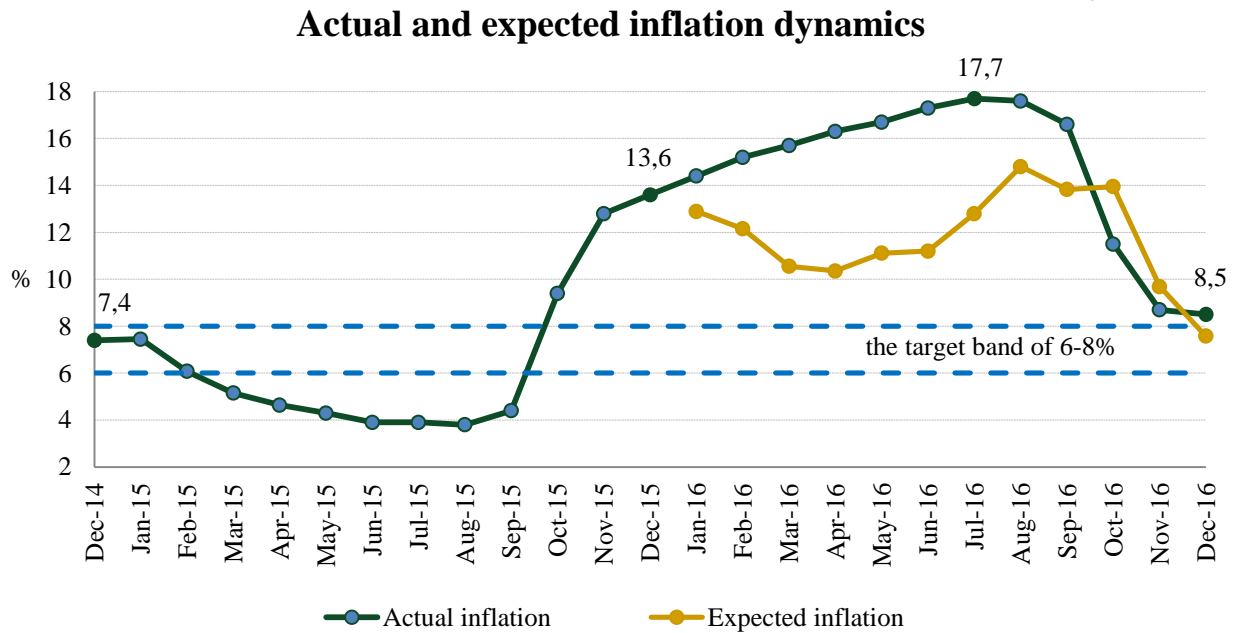
In 2016, the inflation in Kazakhstan amounted to 8.5% (December to December of the previous year), having decreased from a two-digit number of 13.6% in the previous year.

At the beginning of the year, a high inflationary background was persisting as a result of the pass-through effect of the change in the exchange rate onto the domestic prices and of the increased tariffs for regulated services. Starting from March, monthly inflation indicators were gradually decreasing in the environment of the stabilizing situation in the foreign exchange market as well as of a constraining effect of macroeconomic factors.

The annual inflation remained high until August 2016, mainly reflecting the inflation surge in the fourth quarter of 2015. The annual inflation reached its peak

in July 2016, and then it started to gradually decelerate to the upper boundary of the National Bank's target of 6-8% (Figure 1.3.1).

Figure 1.3.1

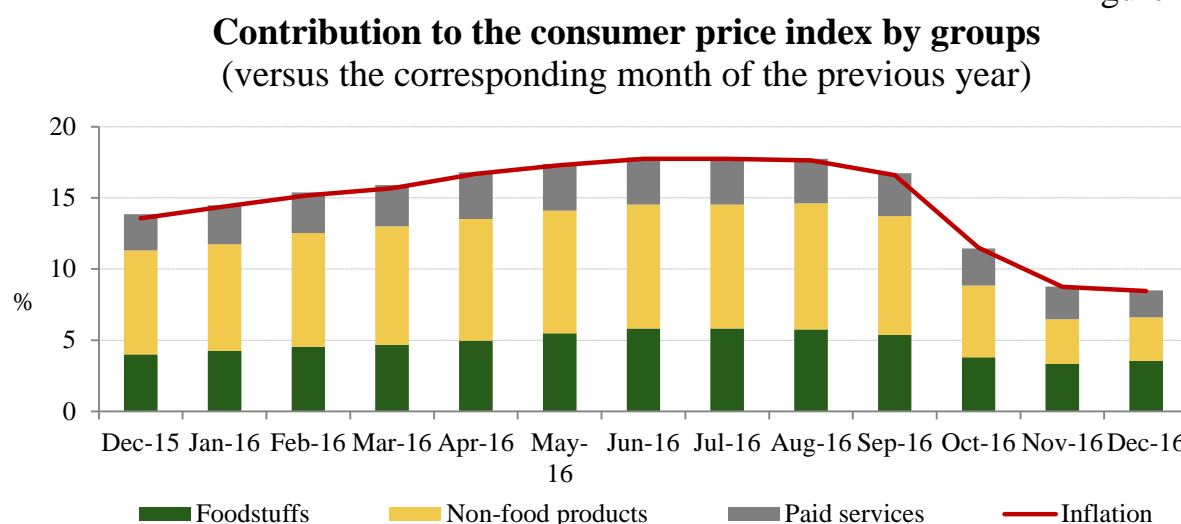


Subsequent to deceleration of the actual inflation by the end of 2016, a quantitative assessment of inflationary expectations that is conducted based on households's survey amongst various groups of the population decreased.

Inflationary processes were building up in the environment of a limited impact of the macroeconomic factors: a sluggish consumer demand, the decreased real income of the population, excessive growth rates of labor productivity over growth rates of wages. High interest rates, a slow recovery of lending had a constraining effect on the consumer demand. There was an inflationary pressure on the part of a stimulative fiscal policy, shocks in the global commodity and food markets, as well as liberalization of the government policy in the area of price regulation.

In the structure of inflation, the largest contribution (3.6 percentage points) was made by the 9.7% increase in prices of food products (2015 – by 10.9%). Prices of non-food products (the contribution – 3.1 percentage points) increased by 9.5%, being at the level which is quite lower than it was in the previous year (22.6%). Paid services (the contribution – 1.9 percentage points) have demonstrated a moderate growth of 6.1% over the year (Figure 1.3.2).

Figure 1.3.2



Prices in the real sector of the economy were characterized by an upward trend in their behavior. Producer prices increased by 15.5% (in 2015 there was a 4.8% decline). Price of products released to the domestic market increased by 20.6%, including products in the mining industry – by 30.2%, and in the manufacturing industry – by 18.9%. The main reasons for the increased prices in the industry were the increased cost of purchased resources and the increased world prices of raw materials.

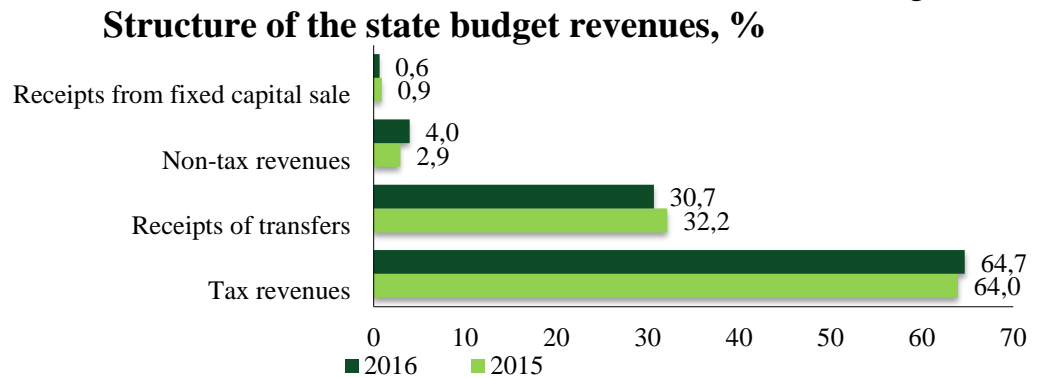
In agriculture, prices increased by 7.5% as compared to 2015 (in 2015 there was a 2.7% increase). The increase in prices was observed in the livestock sector (9.4%) to a larger extent, whereas the price growth rates in the crop production sector were more moderate (6.1%) as a result of a higher yield of the majority of crops.

In the wholesale trade, prices increased by 11.8% (in 2015 – by 4.9%). Within the structure of foreign trade, prices of import goods increased by 16.4% (goods from the countries – members of the Eurasian Economic Union – by 27.8%).

1.4. Government Fiscal Policy

At the end of 2016, almost two thirds of the state budget revenues were comprised of tax revenues (64.7%) and nearly one third (30.7%) – of transfers (Figure 1.4.1). The largest contribution to the structure of tax revenues is made by corporate income tax (23.9%), value-added tax (24.8%) and personal income tax (11.5%). Transfers were formed from the guaranteed and earmarked transfers from the National Fund's resources (73.9% and 26.1%, respectively).

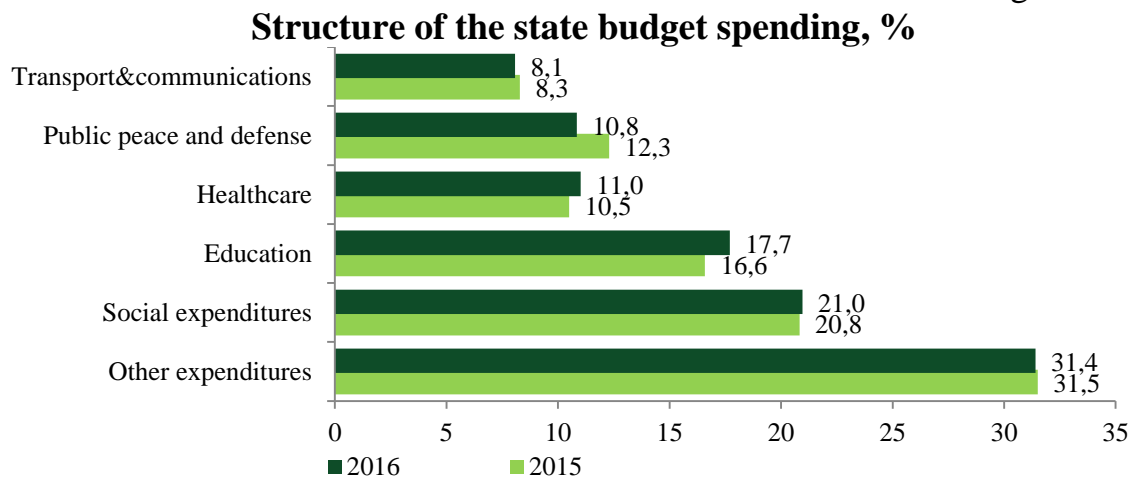
Figure 1.4.1



As compared to 2015, state budget revenues increased by 22.0%. Tax revenues increased by 23.3%, including revenues from the use of natural and other resources – by 35.0%, from excises – by 27.4%, and revenues from the value-added tax increased by 1.6 times. A significant growth in revenues from the use of natural and other resources is associated with the growth in prices of metals, with the unscheduled receipts from newly registered tax payers as well as with lump-sum payments of mobile operators. One of the reasons for the growth in revenues from excises is the increased imports of tobacco goods. The growth in the value-added tax stems from the increased turnover of sales, the decreased payouts on the VAT refund as well as by the growth in payouts on the tenge imports as a consequence of the change in the exchange rate of the tenge against the Russian ruble. Non-tax revenues increased by 64.4%, and their relative share in revenues increased by 1%. In 2016, revenues from the sale of fixed capital decreased by 13.6% as compared to 2015.

During 2016, the state budget spending increased by 14.7% as compared to 2015. There is a significant growth in spending on education (22.3%), healthcare (20.3%), social aid and security (15.4%), which traditionally have been the main beneficiaries of the government spending (Figure 1.4.2).

Figure 1.4.2



The spending on the industry, architectural, urban planning and construction activities decreased significantly (by 25.0%) and so did the spending on the fuel and energy complex and subsoil use (by 10.0%).

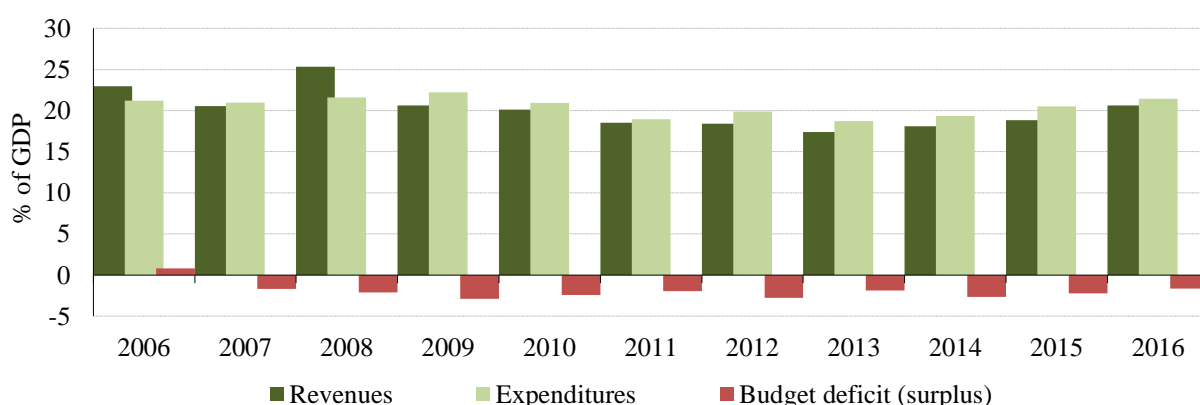
At end-2016, the National Fund's resources amounted to USD 64.2 bln. The decline in oil prices (from USD 52.4 per barrel on average during 2015 to USD 44.0 per barrel on average during 2016) resulted in the decreased proceeds and revenues of oil companies and, therefore, in tax revenues from the oil sector to the National Fund. So, in 2016 proceeds to the National Fund in the form of direct taxes from companies in the oil sector decreased by 30.0%, as compared to 2015. The guaranteed transfer from the National Fund increased in 2016 by 24.0%; however, since the revenues to the state budget exceeded the plan, the need in the guaranteed transfer from the National Fund decreased and the guaranteed transfer was used not in full. Expenditures on target transfers slightly decreased (by 1.2%); along with that, KZT 420.8 mln. of the target transfer was refunded from the national budget in 2016.

In 2016, Kazakhstan's Government continued implementing the countercyclical policy. Target transfers from the National Fund were used to implement infrastructure projects, develop housing and municipal construction, construction and reconstruction of educational facilities, construction of infrastructure and preparation for the World Winter Universiade-2017, project co-financing with international financial institutions as well as support of programs in the sphere of education and science.

The state budget deficit in 2016 decreased by 19.4% as compared to 2015 and was by 27.6% below the number included into the annual budget plan – 1.6% of GDP (Figure 1.4.3). The non-oil deficit was at 7.9% of GDP (in 2015 – 8.2% of GDP).

Figure 1.4.3

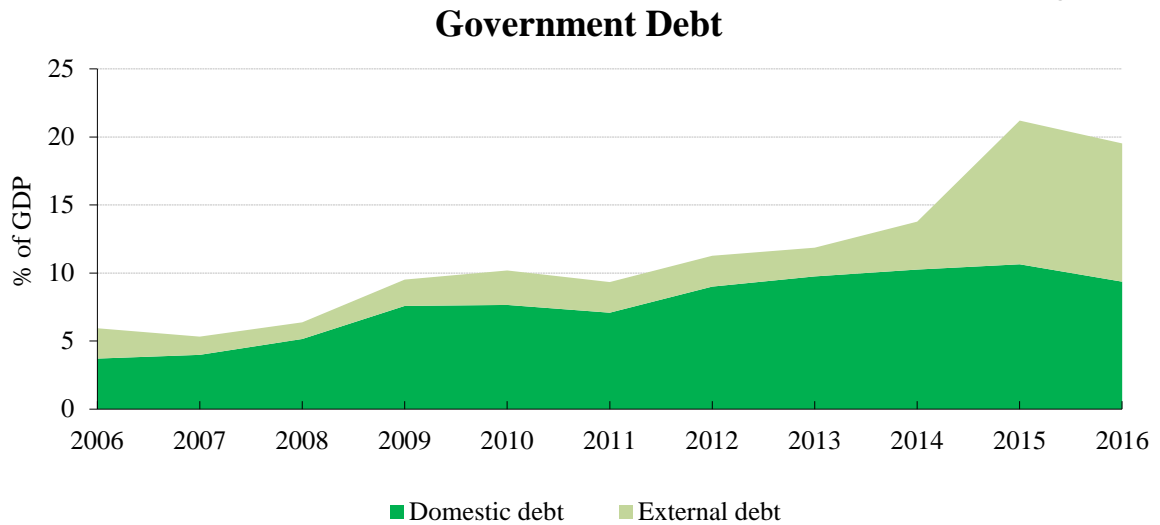
State budget execution



Based on performance in 2016, external government debt amounted to USD 13.9 bln., having decreased by 9.0% as compared to that of 2015 (Figure 1.4.4). Eurobonds as well as foreign loans of the International Bank for Reconstruction and Development and the Asian Development Bank constituted a major share in the total amount of the Government external debt. The Government external debt

slightly decreased by 2.1% and amounted to KZT 4.3 trln. or 9.4% of GDP at the end of 2016.

Figure 1.4.4



1.5. Balance of Payments and External Debt

The balance of payments in 2016 was influenced by relative stabilization of world oil prices, after reaching the minimum values at the beginning of the year and by the indirect effect of the transition to floating rate of the national currency tenge.

World prices for Brent crude oil in average in 2016 amounted to USD 44.0 per barrel (in average USD 52.4 per barrel in 2015) while in January the price of Brent crude oil reached the minimum level of USD 27.8 per barrel and at the end of the year the price amounted to USD 56.8 per barrel.

Following the dynamics of oil prices, in 2016 the volumes of oil exports and consequently the income of foreign direct investors including reinvestment to the activities of joint ventures were growing.

Based on results of 2016, the negative current account balance amounted to USD 8.5 bln. (USD 5.1 billion in 2015) (Annex 1 to Section 1.5, Table 1.5.1).

The positive trade balance decreased by 25.6% and amounted to USD 9.4 bln. (USD 12.7 bln. in 2015).

Exports of goods decreased by 19.8% and amounted to USD 37.3 bln. (USD 46.5 bln. in 2015). Exports of oil and gas condensate decreased by 27.6% compared to 2015 while in the fourth quarter exports of oil and gas condensate increased by 1.0% compared to previous quarter and by 7.0% compared to fourth quarter of 2015.

Imports of goods decreased by 17.7% and amounted to USD 27.9 bln. (USD 33.8 bln. in 2015). The largest decline occurred in imports of nonfood consumer and investment goods. The value of imports from Russia decreased by 13.3% and amounted to USD 9.1 bln., imports from China decreased by 28.0% to USD 3.7 bln.

The deficit of the balance of investment income totaled to USD 11.6 bln., an increase of 20.7% compared to 2015 mainly due to growth of direct investors income to USD 10.9 bln. in 2016 from USD 8.8 bln. in 2015. Interest payments to creditors, who are not in direct investment relationship, decreased by 6.3% and amounted to USD 2.8 bln.

The deficit in international services amounted to USD 4.8 bln., which is less than in 2015 by 6.9%. The reduction was due to reduction in import of services.

In 2016, the financial account (excluding transactions with reserve assets of the National Bank) had a negative balance of USD 8.8 bln. (USD 9.4 bln. in 2015). The higher growth rate of liabilities compared to the growth of assets ensured the net capital inflow for financial transactions or “net borrowing from the rest of the world”.

The net-inflow on foreign direct investments amounted to USD 14.4 bln. (USD 3.1 bln. in 2015). The increase of financial assets on direct investment by USD 3.2 bln. was due to intercompany lending by Kazakhstani enterprises to their foreign parent companies. The net growth of liabilities on foreign direct investments by USD 17.6 bln. was provided by intercompany lending, including lending to foreign subsidiaries of special purpose entities (SPEs) as well as by increasing capital of Kazakhstani enterprises by foreign direct investors, including reinvestments of earnings.

Gross inflow of foreign direct investments to Kazakhstan increased by 39.9% and amounted to USD 20.6 bln. While investments by foreign direct investors into the mining of crude oil and natural gas amounted to USD 5.7 bln., to activities of geological exploration and research – USD 4.8 bln., to activities of manufacture of basic metals and fabricated metal products except machinery and equipment - USD 3.3 bln., to wholesale and retail trade, repair of motor transport – USD 2.3 bln.

The inflow of external financing into the country was also ensured by medium- and long-term borrowings of the general government and corporate sectors (a net inflow - USD 1.9 bln.).

The net outflow on portfolio investment of US\$ 0.7 billion (the net inflow amounted to USD 5.9 bln. in 2015) formed due to the higher rate of reduction of residents' liabilities in comparison with a reduction of their assets. Decrease of financial assets on portfolio investment by USD 1.3 bln was ensured by a reduction of foreign assets of the National Fund of the Republic of Kazakhstan while the purchase of foreign issued securities by non-bank organizations partially compensated the decline of assets. Reduction of liabilities in portfolio investment almost by USD 2.0 bln. owes to transactions of residents for the purchase on the secondary market of Eurobonds as well as repayment of debt securities issued earlier in foreign markets by Kazakhstani banks and non-banking organizations.

The net outflow on short-term debt instruments of USD 8.4 bln. (USD 3.7 bln. in 2015) was due to allocation in foreign accounts of banks and nonbanking organizations including funds raised by joint ventures to finance major investment projects.

As of December 31, 2016, the reserves assets (excluding assets of the National Fund of Kazakhstan) are estimated at USD 29.5 bln. (USD 27.9 billion at

the end of 2015) which cover 9.1 months of import of goods and services of Republic of Kazakhstan.

On 31st of December 2016, the external debt of the Republic of Kazakhstan amounted to USD 163.8 bln., where 7.9% or USD 12.9 bln represents the external debt of governmental sector, 4.4% or USD 7.2 bln. – the banking sector’s external debt, 32.0% or USD 52.5 bln – debt of other sectors, excluding debt related to direct investments and the remaining 55.7% or USD 91.3 bln is intercompany lending (Annex 2 to Section 1.5, Table 1.5.2).

During 2016, the country’s external debt increased by USD 10.4 bln, as a result of the increase in the intercompany lending by USD 9.3 bln and in liabilities of other sectors by USD 1.2 bln. This growth occurred due to foreign loans borrowed to implement projects in mining sectors of the economy.

The Government’s external debt grew by USD 0.8 bln, primarily because of the loans from the World Bank. The external liabilities of the Banks (banks and the Development Bank of Kazakhstan) decreased by USD 0.8 bln mainly due to operations with debt securities of residents. External debt of the National Bank reduced by USD 142.5 bln, due to drop in the volume of deposits of international organizations and foreign central banks.

On 31st of December 2016 the external debt to GDP ratio reached 122.5% (against 83.2%, in the end of 2015) while the external debt to exports of goods and services (EGS) ratio accounted to 375.5% (against 289.4%, in the end of 2015) (Annex 3 to Section 1.5, Table 1.5.3).

During 2016, net external debt of Kazakhstan increased by USD 2.9 bln reaching the value of USD 38.7 bln, which accounts for 29.0% of GDP.

The governmental sector still maintains its position of a net creditor to the rest of the world, sector “Banks” and “Other Sectors” hold the position of a net debtor. From the beginning of the 2016 net external debt of the sector “Banks” sector dropped by USD 2.6 bln, mainly because of the accumulation of banks’ own funds on their accounts abroad.

Section 2. Monetary Policy and Safeguarding Financial Stability

2.1. Monetary Policy

Pursuant to the Law of the Republic of Kazakhstan “About the National Bank of the Republic of Kazakhstan”, the National Bank implements its monetary policy aimed to ensure price stability. In order to achieve the inflation targets, in 2016 the National Bank took measures to regulate monetary conditions in line with fundamental inflation targeting principles. In 2016, the monetary policy was formulated and implemented in the environment of consequences of external and internal shocks as well as adaptation of the population and enterprises to a new regime of the monetary policy and exchange rate policy.

In January 2016, the National Bank took measures to restore and to maintain the balance in the money and foreign exchange markets as well as to replenish the shortage of the tenge liquidity. With a purpose of reducing the burden on banks,

the minimum reserve requirements were eased. Measures were taken to increase attractiveness of the tenge assets; recommended interest rates on the tenge deposits were raised from 10% to 14% and interest rates on foreign currency deposits were lowered from 3% to 2%.

As the situation in the money market and foreign exchange market was recovering, conditions were created to restore the interest rate channel of the monetary policy. In February 2016, the National Bank resumed setting its base rate as a key monetary policy instrument. The introduction of the base rate allowed the financial market participants to have a guidance regarding the cost of borrowing and the National Bank's actions, which had a positive effect on comprehension by the market participants of the interest rate behavior and on stabilization of conditions for accessing liquidity.

The risks of ensuring price stability and maintaining financial stability were taken into account in the decision-making about the level of the base rate. The National Bank made its decisions regarding the base rate level in 2016 in accordance with the schedule which had been published in advance. In order to maintain the balance of the risks, the base rate was set at 17%.

A high level of interest rates established by the National Bank during the transition period (first half of 2016) and the absence of a sharp change in the monetary policy stance encouraged restoring of the market participants' confidence in the National Bank's actions and stabilization of the domestic currency exchange rate. A firm stance against an accelerated lowering of the interest rates in the short term was an evidence of consistency of the monetary policy implemented.

As macroeconomic indicators were stabilizing, the situation in the financial market was improving and inflationary and devaluation expectations were decreasing, the National Bank started to ease monetary conditions by gradually lowering the level of its base rate. In total, 8 decisions about the level of the base rate were made. So, the base rate was lowered 4 times: in May – to 15%, in July – to 13%, in October – to 12.5%, and in November – to 12%.

The system of monetary policy instruments allowed the National Bank to keep the targeted rate (overnight short-term interbank money market rate TONIA) within the interest rate band of the base rate. In the environment of the structural surplus of the tenge liquidity caused by conversion of deposits from foreign currency into tenge along with significant expenditures of the government and quasi-government sectors, the National Bank conducted liquidity withdrawal operations and the money market rates were formed around the lower boundary of the interest rate band.

In 2016, the National Bank started an intensive work to create the conditions for constructing an yield curve which serves as a benchmark for the value of money in the domestic market. Based on that, starting from May 2016, the National Bank, along with its short-term notes with maturities of 7 and 28 days that are used for the monetary policy purposes, started to issue notes with longer maturities (from May notes with maturity of 91 days, from June – 182 days and from September – 364 days). In November-December 2016, the National Bank was selling government securities from its own portfolio with maturities from 2 to

5 years. As a result of conducted auctions, market expectations about lowering of interest rates for the period of up to 5 years were defined.

As part of the inflation targeting regime, in 2016 the National Bank was making effort to overhaul its forecasting and policy analysis system and to actively use it in the decision-making regarding the base rate. Forecasting rounds were conducted on a quarterly basis developing projections of key macroeconomic indicators including inflation for a medium term perspective.

In order to provide a better quality assessment of the market expectations and to design forecasts of macroeconomic indicators, in 2016 households' surveys were launched. Their outcomes help to monitor the change in the financial standing of households, their consumption and saving patterns, their perception of the price growth, expectations about inflation and the exchange rate as well as the general households' sentiment regarding the country's economic situation in general.

Together with the monetary policy measures, in 2016 the National Bank was taking measures to increase transparency of its operations and improve its communication policy. A list of the published statistical and analytical information on the monetary policy issues was significantly extended, the practice of press-conferences and meetings of the National Bank's management with experts and the mass media was introduced. These measures are aimed at the proper comprehension by economic agents of processes occurring in the financial market, at creating reasonable expectations regarding inflation, the exchange rate and other macroeconomic indicators.

In general, in 2016 the National Bank was implementing a moderately restrictive monetary policy.

2.2. Exchange Rate Policy and the Foreign Exchange Market

Throughout 2016, the situation in the foreign exchange market was influenced by the price fluctuations in the global commodity markets as well as by the dynamics of the domestic currencies of the countries – Kazakhstan's main trading partners. The National Bank was adhering to the policy of floating exchange rate of the tenge. During 2016, the National Bank's participation in foreign currency auctions was not of a systemic nature and was motivated solely by the need to smooth sharp destabilizing fluctuations. The volume of the National Bank's interventions (foreign exchange purchase) in 2016 was USD 2.9 bln.

Introduction of the floating exchange rate regime on the one hand resulted in the increased elasticity of the tenge exchange rate in relation to fundamental factors, first of all, the oil price, and on the other hand, made the exchange rate formation more transparent and predictable. This resulted in the decreased volatility of the exchange rate against the US Dollar. In 2016, the exchange rate of tenge was fluctuating within the range of KZT 327.66-383.91 per 1 US Dollar. The highest volatility of the tenge exchange rate was observed in the beginning of the year. A drop in the oil price in January 2016 to USD 27 per barrel was the cause for depreciation of the tenge to its historical minimum of KZT 383.91 per 1 US Dollar.

In February-June 2016, given the growing oil price, the tenge started to appreciate and devaluation expectations of the population decreased. That was also confirmed by the volumes of the net sales of the cash US Dollars by the population at the exchange offices (during 5 months from February to June 2016, the net sales amounted to nearly USD 1 bln.) and by the decreased dollarization of deposits (from 69.9% in January 2016 to 57.6% in June 2016).

In order to avoid a rapid appreciation of the tenge that was driven not only by fundamental external factors but also by the dedollarization process in the first half of the year, the National Bank conducted foreign exchange purchases. The volume of the National Bank's interventions in the first half of 2016 amounted to USD 3.2 bln.

In July, as a result of the world oil prices decline (from USD 49.7 to USD 42.5 per barrel) and tenge depreciation by 4.0% to KZT 352.25 per 1 US Dollar, the National Bank's operations in the foreign exchange market were aimed to limit a significant and destabilizing change of the exchange rate.

Starting from August, the situation in the foreign exchange market stabilized and was characterized by the balance of the supply and demand for the foreign currency. Therefore, from September 2016 the net participation of the National Bank and its influence on the fundamental trends of the exchange rate was equal to zero. The tenge exchange rate during the period was fluctuating within the range of KZT 328.91-344.56 per 1 US Dollar. The market exchange rate by the end of December increased by 2.0% on the year-to-date basis and was KZT 333.29 per 1 US Dollar.

During 2016, the market exchange rate of the tenge appreciated by 5.1% against the Euro, and it depreciated by 17.8% against the Russian ruble.

In 2016, the volume of trading with the KZT/USD currency pair on the Kazakhstan Stock Exchange decreased by 45.6% as compared to the volume in 2015 and amounted to USD 30.4 bln. The volume of trading with the KZT/USD currency pair in the over-the-counter market amounted to USD 72.5 bln. In general, the volume of transactions with the KZT/USD currency pair in the domestic foreign exchange market amounted to USD 102.9 bln.

Transactions with the Euro and Russian ruble had insignificant shares in the turnover of the stock exchange and over-the-counter segments of the foreign exchange market. In the stock exchange market, the transaction volume in the Russian ruble decreased by 28.3% to RUB 13.2 bln., and the volume of transactions in the Euro decreased by 38.4% to EUR 23.6 mln. In the over-the-counter currency market, the transaction volumes in the Russian ruble increased by 1.8% to RUB 17.9 bln., and the volume of transactions in the Euro increased by 41.4% to EUR 68.1 mln.

In the first half of 2016, there was a change in the cash foreign exchange market in the foreign currency preferences of the population towards tenge and were observed corresponding sales of the US Dollars.

Later, the demand for dollars resumed. However, during 2016 net purchases of the US Dollars by the population amounted to USD 1.4 bln. only; this is nearly 5.7 times less than the volumes in 2015 and represents the minimum volume since

2001. During 2016, net purchases of cash Russian rubles also decreased two-fold to RUB 88.1 bln. The volume of net purchases of cash US Dollars and Russian rubles in the tenge almost reached the parity, while in 2015 the US currency was more popular than the Russian currency and the demand for the US Dollars exceeded that for the rubles by 2.7 times. During 2016, volumes of net purchases of cash European currency decreased almost by 40% to EUR 373.0 mln. The demand for the Euro remained limited.

2.3. Safeguarding Financial Stability

Uncertainty regarding further behavior of world prices of Kazakhstan's major export items, a high cost of the short-term funding in the tenge and the shortage of long-term resources as well as low borrower paying capacity constrained the easing of the lending policy of banks in 2016. Along with that, one of the key factors that affected the tightening of the lending policy in certain banks in 2016, according to the survey of banks⁸, was the application of restricted remedial actions on the part of the regulator. As a result, bank approaches to dealing with risky borrowers and credit risk management methods were tightened. Given the fact, the growth in the demand for loans slowed down, both on the part of businesses and on the part of the population. In addition, deceleration of the economic growth and the reduced cost of collateral were conducive to the increasing pressure on the capital of banks and their ability to assume credit risks. As a result, the portfolio quality significantly weakened, including because of a high portion of non-tradable sector in the bank loan portfolio.

Banks took actions to refinance, restructure and write off non-performing loans; however, such practice reduced objective informativity of reporting on the asset quality. According to regulatory reports of banks, at the end of 2016 the percentage of non-performing loans (past due more than 90 days) decreased from 8.0% (KZT 1.2 trln.) in 2015 to 6.7% (KZT 1.0 trln.). Low asset quality may be hidden because of over-optimistic approaches to valuation of loans and their reporting as standard ones.

This situation is not Kazakhstan-specific, many regulators in other countries encounter such situation. To address this problem, the National Bank will be implementing a set of measures aimed to improve asset quality and quality of bank reports as well as to increase their financial soundness; this will require conducting a comprehensive assessment of asset quality (internationally known as the Asset Quality Review which is usually accompanied by stress-testing). In 2016, the National Bank performed a preparatory work for a comprehensive asset quality review, including consultations with international experts and with central banks which have relevant experience; qualification criteria and requirements to a consultant, auditors regarding the bank asset quality review were approved. The construction of a stress-testing model was initiated based on the information about

⁸ Study of the credit market quality parameters based on the interviewing of banks "The Credit Market Parameters: Status and Forecast"

individual loans that was generated by the credit bureau databases. Thus, the National Bank is prepared to conduct the asset quality review under the unified methodology in 2017. In order to ensure objectivity and confidence in valuations, including for the international community (investors, rating agencies) similar to leading central banks independent experts will be hired.

Based on the asset quality review and stress-testing, depending on the extent of identified problems, shareholders will be required to recapitalize their bank. Also, measures taken by the regulator will be aimed at establishing legal and economic conditions for effective rehabilitation and workout of problem banks, developing the safest approaches that provide a quick resolution of problems without undermining the confidence in the banking system while minimizing government expenditures. As part of this effort, based on consultations with the IMF and World Bank experts, the National Bank identified the following priority areas which require legislative changes:

- 1) enhancing a risk-focused approach in bank regulation and supervision by expanding powers of the National Bank in applying its motivated judgement as part of supervision in line with the Principles of the Basel Committee on Banking Supervision, including as part of early identification of problem banks and taking measures in respect of such banks, identifying related parties of banks with a view to regulate related party transactions of banks;

- 2) increasing responsibility of auditors and appraisers as well as the quality of services provided by them by establishing a unified and independent authority for checking the quality of audit activities, by expanding the National Bank's powers in relation to auditors and appraisers which provide services to financial organizations, and bringing them accountable in case of failure to discharge their fiduciary obligations;

- 3) establishing an effective regime of insolvent bank resolution in line with international principles and recommendations of the Financial Stability Board, IMF and other international authorities, which provides for: segregating supervisory measures from insolvency resolution measures; segregating the framework for urgent liquidity provision to solvent banks from the regime of insolvent bank resolution; minimizing the government participation in resolution of bank insolvencies; increasing responsibility of bank shareholders; and minimizing systemic consequences.

An active effort of the National Bank to construct a risk-free yield curve will be conducive to creation of conditions for development of the long-term funding in tenge in the banking sector. Once constructed, it will help to develop the market-based long-term funding with funds of institutional investors (pension funds, insurance and investment funds), for whom the absence of a term premium serves as a constraining factor at present.

The absence of instruments which discourage early withdrawal appeared to be a key problem for the deposit market of the banking sector in 2016. A depositor's right for an early deposit withdrawal without losing an accrued interest that is valid for virtually all deposit products equalizes term deposits with demand deposits. Such practice makes the banking sector vulnerable and does not

allow transforming the obtained funding into the long-term lending. In 2016, the National Bank, jointly with the “Kazakhstan Deposit Insurance Fund” JSC started to design measures aimed to enhance the banking sector’s deposit base via introduction of instruments that encourage the long-term holding of assets and to regulate the cost of deposits based on maturity of attracted resources.

Activity of the Council for Financial Stability and Financial Market Development of the Republic of Kazakhstan

In 2016, 4 sessions of the Council for Financial Stability and Financial Market Development of the Republic of Kazakhstan were held, where the most relevant issues regarding the development of Kazakhstan’s securities market and insurance sector were discussed. At these sessions, the following issues regarding activities of the financial market participants had been addressed:

- developing the securities market through liberalization of regulation, encouragement of issuers and creation of additional opportunities for financing of the economy;

- the possibility for integration of the “Unified Securities Registrar” JSC and “Central Securities Depository” JSC with a view increase efficiency of their functions of record-keeping and custody of securities as well as curtailment of expenses related to maintenance of the market infrastructure by optimizing the fees on provided services;

- developing the system of compulsory and voluntary insurance;

- improving the insurance market infrastructure including by considering Kazakhstan’s accession to the international motor insurance system (Green Card), implementing the Europrotocol, expanding activities of the insurance ombudsman, establishing the reference data base on insurance contracts;

- increasing requirements to foreign reinsurers, to disclosures regarding reinsurance of risks abroad as well as to the use of the domestic co-insurance and reinsurance market’s potential;

- changing the mechanisms of insurance product taxation with a view to give them a boost and to increase their affordability and attractiveness for the people in Kazakhstan;

- improving the actuarial business with a view to increase the professional level, status and responsibility of actuaries and their professional association;

- introducing electronic insurance which simplifies the procedure of insurance product purchases through the use of the Internet resources;

- improving the operation of the “Insurance Indemnity Guarantee Fund” JSC by changing the pattern of its functioning that will promote a better level of corporate governance and transparency in its operation;

- improving activities of insurance intermediaries (insurance agents and brokers) that will ensure optimization of provided intermediation services, transparency in concluding insurance (reinsurance) contracts as well as enhance responsibility of insurance organizations and intermediaries for violation of requirements of the laws of the Republic of Kazakhstan.

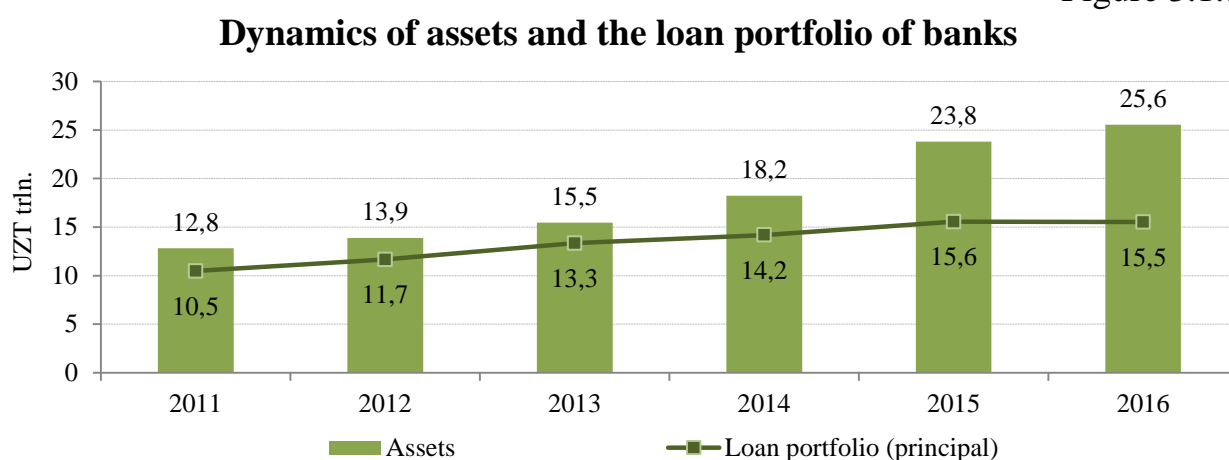
Section 3. Financial System: Status, Regulation and Supervision

3.1. Banking Sector

As at January 1, 2017, there were 33 banks and 8 organizations engaged in certain types of banking operations, including 3 mortgage companies, in the Republic of Kazakhstan (at the beginning of 2016 – 35 banks and 11⁹ organizations engaged in certain types of banking operations, including 3 mortgage companies).

During 2016, assets of the banking sector increased by KZT 1.8 trln. or by 7.5% and amounted to KZT 25.6 trln. (Figure 3.1.1).

Figure 3.1.1



At the end of 2016, the banking sector's loan portfolio totaled KZT 15.5 trln., having decreased on the year-to-date basis by 0.3%.

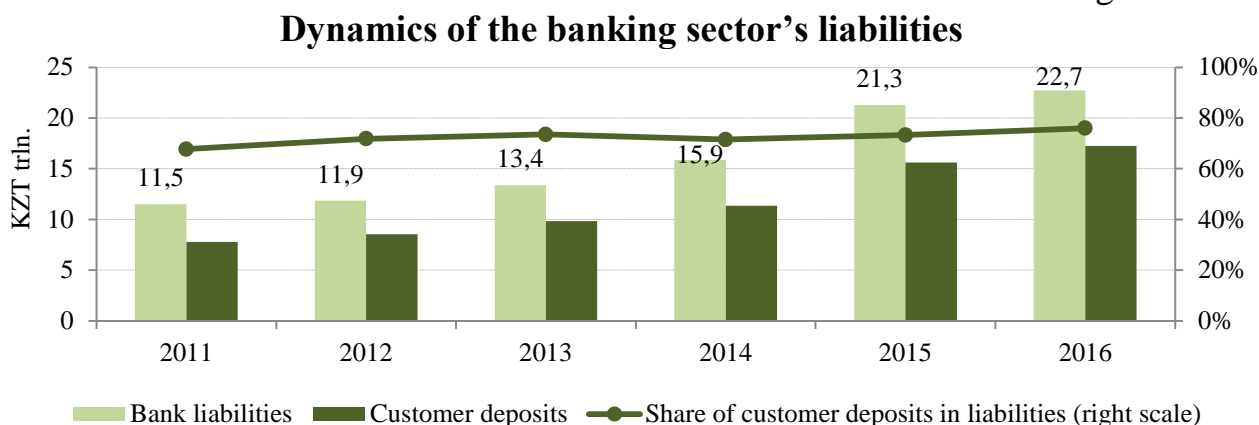
As at January 1, 2017, provisions created in line with the requirements of international financial reporting standards to the loan portfolio of the banking sector amounted to KZT 1.6 trln. or 10.6% of the total loan portfolio.

Loans which are past due on the principal amount and/or accrued interest more than 90 days amounted to KZT 1.0 trln. or 6.7% of the total loan portfolio of banks.

During 2016, bank liabilities increased by KZT 1.4 trln. or by 6.7% and amounted to KZT 22.7 trln. (Figure 3.1.2).

⁹ Including the "Central Securities Depository" JSC, "Kazakhstan Stock Exchange" JSC, "Kazakhstan Interbank Settlement Center of the National Bank of Kazakhstan" RSOE

Figure 3.1.2

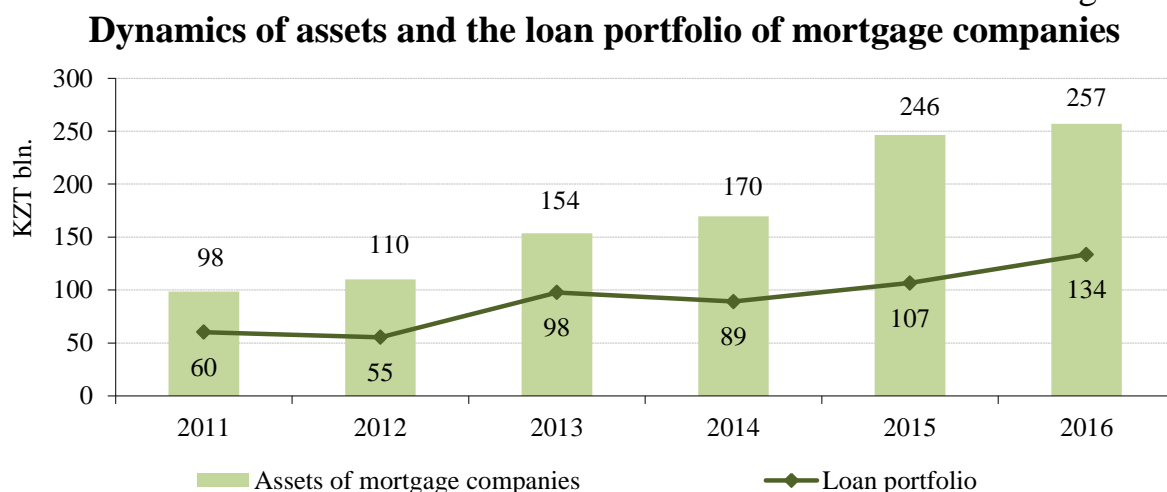


Mortgage Companies

At the end of 2016, assets of mortgage companies totaled KZT 257.1 bln., exceeding the size of assets in 2015 by KZT 10.8 bln. or 4.4%.

The total loan portfolio of mortgage companies was KZT 133.5 bln., exceeding the same indicator for 2015 by KZT 26.8 bln. or 25.1% (Figure 3.1.3).

Figure 3.1.3



The largest share in the total loan portfolio of mortgage companies is comprised of loans provided by the Kazakhstan Mortgage Company – 99.8%.

At January 1, 2017, the relative share of past due loans in the total loan portfolio of mortgage companies was 5.5% or KZT 7.4 bln., including loans which are past due more than 90 days – 1.6% or KZT 2.1 bln.

At the end of 2016, the amount of provisions created by mortgage companies made up KZT 4.1 bln., and the relative share of created provisions in the loan portfolio accounted for 3.1%.

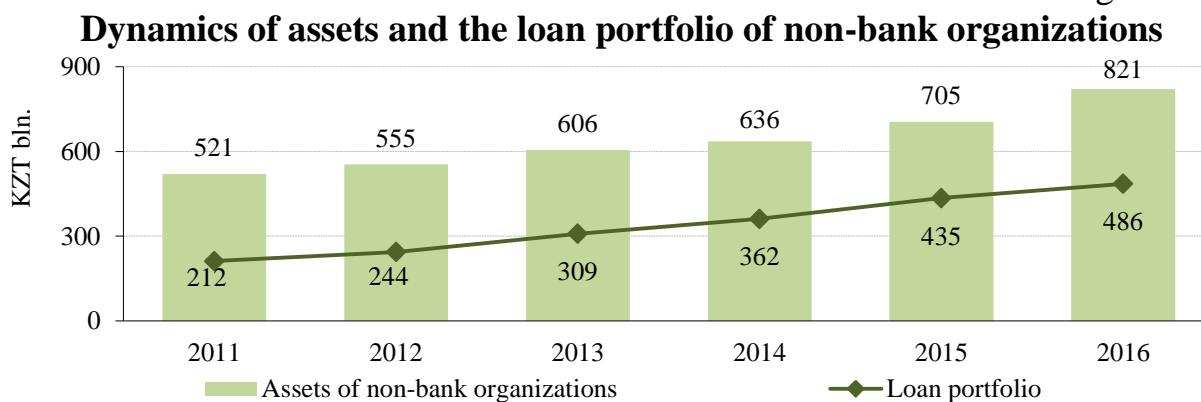
Other Non-Bank Organizations

At the end of 2016, total assets of non-bank organizations¹⁰ amounted to KZT 820.5 bln., having increased by 16.3% over the year.

¹⁰ Subsidiaries of the national management holding company in the area of agro-industrial complex and the National Postal Operator of the Republic of Kazakhstan

At the end of 2016, the loan portfolio¹¹ of subsidiaries of the national management holding company in the agro-industrial sector amounted to KZT 485.7 bln., having increased by 11.7% (Figure 3.1.4).

Figure 3.1.4



At January 1, 2017, the relative share of past due loans in the total loan portfolio of subsidiaries of the national management holding company in the agro-industrial sector accounted for 30.3% (KZT 163.5 bln.), with the relative share of loans past due more than 90 days accounting for 17.2%.

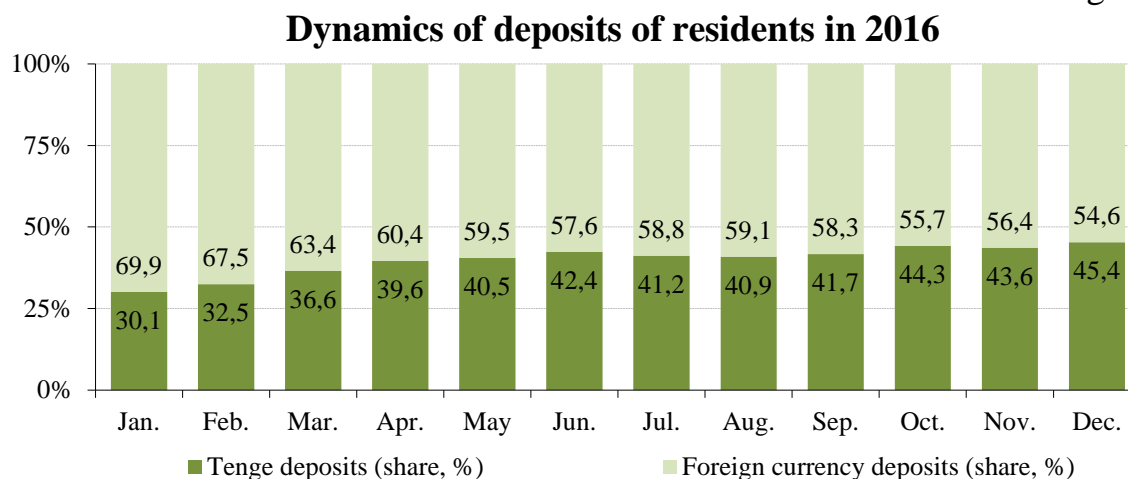
Deposit Market

During 2016, deposits of residents with depository institutions increased by 13.7% (in 2015 – by 36.6% including foreign exchange revaluation of foreign currency deposits), having reached KZT 18.2 trln. The growth of the deposit base was determined by stabilization of foreign exchange market and the improved macroeconomic situation in the country.

The increase in the domestic currency deposits and the decrease in foreign currency deposits resulted in the decreased degree of deposit dollarization from its maximum of 69.9% in January 2016 to 54.6% in December 2016. Measures taken to increase attractiveness of the tenge deposits helped increase the volume of deposits in the domestic currency. So, during 2016, deposits in the domestic currency increased by 66.4% to KZT 8.2 trln., whereas foreign currency deposits decreased by 9.9% to KZT 9.9 trln. (Figure 3.1.5).

¹¹ Including the financial lease provided less the reserves

Figure 3.1.5

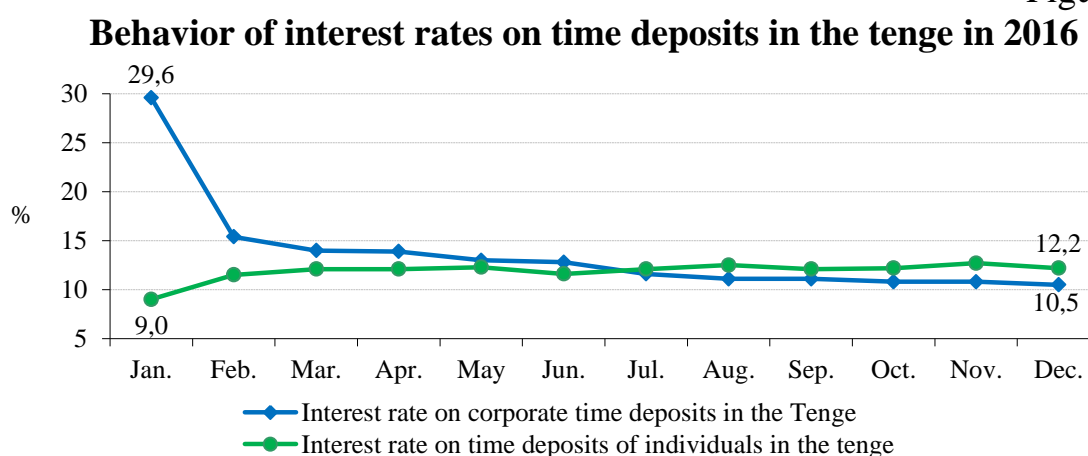


During 2016, deposits of non-bank legal entities increased by 12.5% to KZT 10.3 trln., and deposits of individuals – by 15.4% to KZT 7.8 trln.

During 2016, household deposits with banks (including accounts of non-residents) increased by 15.0% to KZT 7.9 trln. Household deposits in the tenge increased by 108.6% to KZT 3.9 trln., and foreign currency deposits decreased by 9.7% to KZT 4.9 trln., which resulted in the decreased degree of dollarization of household savings with banks from 79.2% to 62.2%.

Interest rates on corporate deposits in the domestic currency decreased significantly, whereas interest rates on household deposits in the tenge increased. So, in December 2016 the weighted average interest rate on the time deposits in the tenge of non-bank legal entities accounted for 10.5%, having decreased significantly since January 2016 (29.6%), and interest rate on deposits of individuals was 12.2% (in December 2015 – 8.5%) (Figure 3.1.6).

Figure 3.1.6



Credit Market

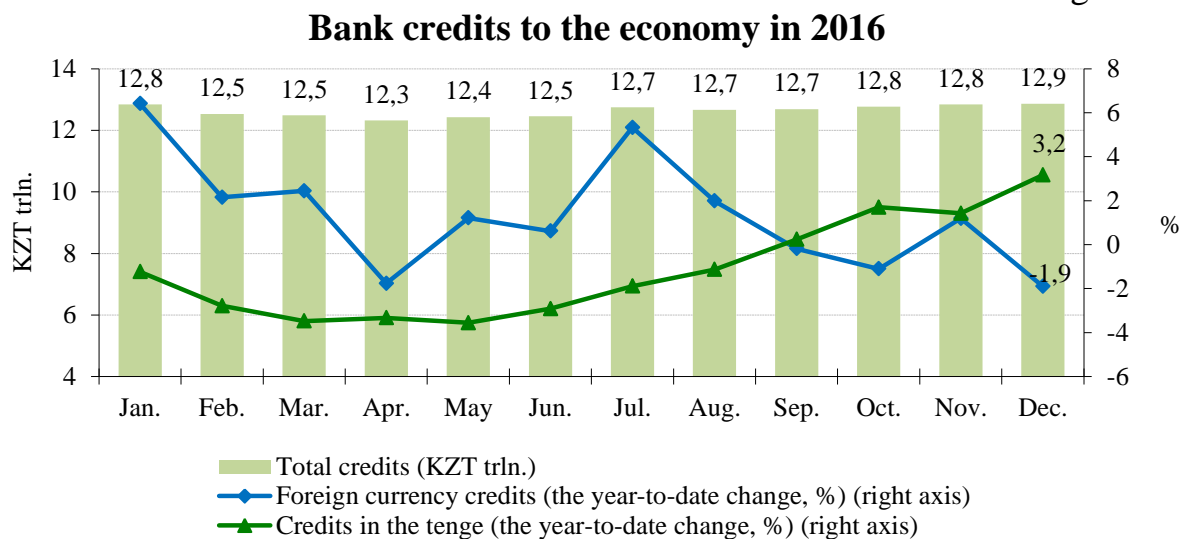
In 2016, the volume of bank credits to the economy increased by 1.5% (the growth of 4.7% in 2015 because of revaluation of loans in foreign currency), amounting to KZT 12.9 trln. Among key factors which prevented the growth in lending, the change in the terms and conditions of funding, tightening of lending

terms by banks and the decreasing demand on the part of creditworthy borrowers may be noted.

During 2016, credits in the domestic currency increased by 3.2% to KZT 8.7 trln., whereas foreign currency credits decreased by 1.9% to KZT 4.2 trln. (Figure 3.1.7). In total, the relative share of credits denominated in the tenge in the overall volume increased from 66.3% to 67.4%.

At the end of 2016, credits to corporate entities increased by 3.6%, amounting to KZT 8.8 trln., and credits to individuals decreased by 2.9% to KZT 4.0 trln. The relative share of credits to individuals decreased from 32.9% to 31.4%.

Figure 3.1.7



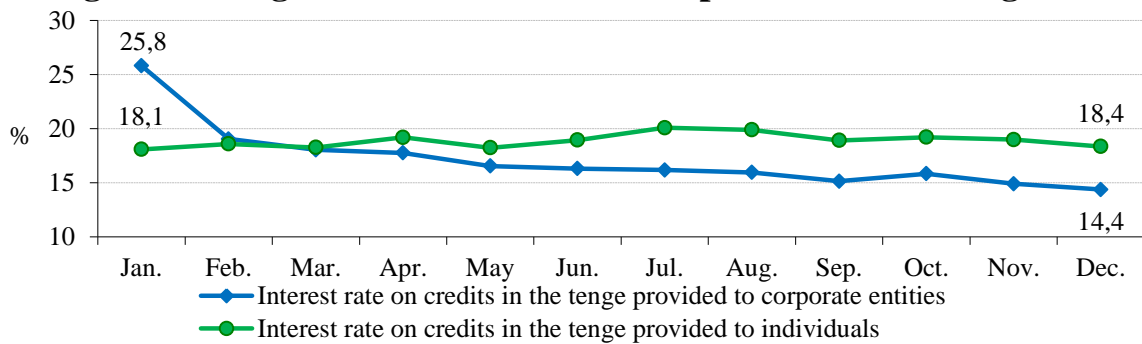
Long-term lending in 2016 increased by 0.1% to KZT 10.5 trln., and short-term lending increased by 8.2% to KZT 2.3 trln. Nonetheless, long-term credits still account for a larger portion in the structure of credits – 81.9% (83.0% – in December 2015).

Credits to small businesses in 2016 increased significantly – by 50.7% to KZT 3.1 trln., which accounts for 24.1% of the total volume of credits to the economy and represents the maximum since 2002.

In an industry-based breakdown, the most significant amount of bank credits to the economy falls on the sector of trade – 21.6%, industry – 14.3%, construction – 7.4%, and agriculture – 5.3%.

In 2016, interest rates on credits in the domestic currency provided to non-bank legal entities decreased nearly by half, from 25.8% in January to 14.4% in December. Interest rates on credits in the domestic currency provided to individuals changed insignificantly and at the end of the year accounted for 18.4% (17.3% in December 2015) (Figure 3.1.8).

Figure 3.1.8

Weighted average interest rates on credits provided in the tengge in 2016**Regulation**

In 2016, the Bank continued its effort to transit its current regulatory regime to core principles of the Basel Committee on Banking Supervision – capital adequacy and liquidity principles under Basel III that are aimed to ensure financial soundness and competitiveness of the banking sector.

As part of such transition, the minimum capital adequacy level in 2016 and 2017 was retained at the early scheduled level of 2015 and 2016, respectively, as an anti-crisis measure aimed at social and economic development and stimulation of the economy. The target for the capital adequacy ratio was lowered from 12% to 8% of risk-weighted assets; capital adequacy ratios were brought in compliance with the Basel III recommendations from January 1, 2017.

From the beginning of 2017, capital adequacy ratio of bank conglomerates was also set as the international standard for banks at 8%.

In 2016, in accordance with requirements of the Basel Committee on Banking Supervision, the National Bank introduced new liquidity coverage ratios and net stable funding ratios into its regulatory practice. These ratios have a cumulative application in ensuring the bank soundness in the event of potential absence of funding sources under unfavorable scenarios and in limiting its reliance on short-term funding.

Under the established requirements, from 2016 banks calculate the liquidity coverage ratio throughout the annual monitoring period and from the second half of 2017 the ratio will be established at a prudential level, initially at 60%, while the target level of 100% will be achieved on a step-by-step basis by 2021.

With a view to limit the concentration of retail deposits, a requirement was introduced to subtract from a bank's equity a positive difference between the retail deposits amount and a 5.5-fold amount of the bank's equity according to the balance sheet. Such requirement was introduced with a view to avoid the systemic risk and is in line with the supervisory "capital add-on" principle under the second pillar of Basel II.

In order to foster the development of small-and medium-sized businesses and ensure affordability of housing, from January 1, 2016 capital adequacy requirements on mortgage loans, SME loans as well as loans covered with provisions under the International Financial Reporting Standards were lowered; a

prudential requirement for the maximum annual growth in unsecured consumer loans of 30% was also cancelled.

Higher risk levels on unsecured consumer loans were introduced. From January 1, 2016, verification of a borrower's income and borrower's credit history should be a mandatory condition for providing an unsecured consumer loan. In the event when monthly expenses related to repayment of a loan exceed 35% of the borrower's total income or if loans are past due, then such loans will require creating additional capital reserves.

From January 1, 2016, a measure had been taken to discourage corporate loans and retail loans in foreign currency for the term exceeding one year (including consumer loans), if potential borrowers do not have foreign exchange proceeds and/or if their foreign exchange risks are not covered with the appropriate hedging instruments on the part of the borrower. Such loans are referred to a higher risk group, which, in turn, requires the proper coverage of risks with additional bank capital.

From the beginning of 2016, banks are prohibited by law to provide mortgage loans in foreign currency to individuals who do not have income in this currency during six consecutive months preceding the application date.

The methodology for calculation of the ratio for investment of a part of bank resources into domestic assets was fine-tuned. According to the new methodology, the calculation will be made based on average monthly numbers; requirements were introduced to invest a part of resources into domestic assets on a daily basis in a prescribed amount. The requirements for calculation of such ratio were eased by excluding perpetual financial instruments from the calculation. A new approach implies that the supply of credit resources in Kazakhstan will be increased, and the outflow of resources to foreign banks and markets will decrease.

A possibility for reorganization of a traditional bank in the form of conversion into an Islamic bank was provided and the procedure for permission and the grounds for refusal to issue such permission for a voluntary reorganization of a bank in the form of conversion into an Islamic bank were determined.

Requirements were eased regarding the minimum capital for a newly established Islamic bank – a subsidiary of a non-resident bank of the Republic of Kazakhstan which has a minimum long-term credit rating under the international scale in foreign currency not below “A” assigned by the Standard & Poors or a similar rating assigned by one of other rating agencies, to KZT 5 bln.

Within the package of top-priority measures aimed at the counter-cyclical tax expansion, decreasing NPLs in the banking system, protecting the financial services consumers, the financial sector stability as well as at improving financial support of the people as part of their social protection, the following tax exemptions were provided: for reduction by banks of earlier created provisions when forgiving a bad debt in the amount of an aggregated ratio of 10% of their loan portfolio and for income of an individual when forgiving a bad debt as part of the Residential Mortgage Loan Refinancing Program. Also, tax preferences on bank operations related to the transfer of receivables on NPLs to a bank subsidiary which acquires

doubtful and bad loans of a parent and to the “Problem Loan Fund” JSC, were extended to January 1, 2027.

Also, financial organizations were given the right to disclose confidential and secret information about financial operations and balances of accounts on such operations conducted with non-resident foreign entities to the tax authorities of Kazakhstan.

In 2016, the National Bank became a member of the Basel Consultative Group. At present, 35 financial institutions from more than 20 countries including central banks and competent bank supervision authorities are the members of the Basel Consultative Group. Membership in this organization enables to participate in expert meetings on the matters of bank supervision and to have access to the on-line platform of the Basel Committee on Banking Supervision.

Licensing

In 2016, as part of the licensing and authorization activity 207 applications/petitions were reviewed, with positive decision being made on 151 applications/petitions, including:

- 1 permission to open a bank subsidiary was issued;
- 6 approvals to acquire the status of a large participant of a bank were given;
- 3 permissions for a voluntary reorganization of a bank were issued (of which 2 permissions were issued for a voluntary reorganization in the form of a merger and 1 permission was issued for a voluntary reorganization in the form of conversion into an Islamic bank);

- 11 licenses were issued (re-issued) (of which 3 licenses were issued to engage in additional types of banking and other operations conducted by banks, and 8 licenses were re-issued in connection with the change in the name and/or a registered office as well as a type and/or sub-type of the bank’s activity);

- 1 license was terminated in connection with its voluntary surrender;

169 applications were reviewed in relation to approval of nominees for managerial positions in banks and bank holding companies; on the basis of such review, 130 nominees were approved.

Inspection, Off-site Supervision and Supervisory Response

In 2016, 20 on site inspections of banks and organizations engaged in certain types of banking operations had been conducted, including 12 inspections on the risk assessment basis (including 10 inspections of banks and 2 – of organizations engaged in certain types of banking operations) and 8 specific inspections. 10 documentary inspections were performed based on requests from law enforcement authorities of the Republic of Kazakhstan and individuals.

Inspections on the basis of risk assessment in the activities of banks and organizations engaged in certain types of banking operations were conducted with the view to check their compliance with the banking legislation and other laws of the Republic of Kazakhstan including the legislation on accounting and financial reporting, laws on counteracting the money laundering and terrorist financing, as well as for reliability of regulatory and other reports/information submitted to the National Bank. Inspections also were aimed to assess a system of risk management, corporate governance and internal control of banks in accordance with a system of

evaluation of capital adequacy, quality of assets and contingent liabilities, liquidity, profitability, effectiveness of management and corporate governance as well as the bank's exposure to operating and market risks.

Based on the results of inspections, 19 written warnings were applied to banks and organizations engaged in certain types of banking operations and 412 administrative protocols were formalized. The total amount of administrative penalties imposed by the National Bank is KZT 148.4 mln., including KZT 89.7 mln. on 227 administrative cases handed over to courts (for violations of the Law of the Republic of Kazakhstan "On Counteracting the Money Laundering and Terrorist Financing").

Off-site control and supervision of the banking sector entities is based on the analysis of regulatory reports and on monitoring compliance with legislative requirements, including prudential ratios and other established norms and limits.

On October 28, 2016, licenses for banking operations and activities in the securities market issued to "Delta Bank" JSC and "Kazinvestbank" JSC were suspended in respect of deposit-taking and opening of bank accounts for individuals, that remained in effect for a period of three-month. Such decisions were made in connection with identified facts of non-compliance with risk management and internal control systems requirements/.

On December 26, 2016, Kazinvestbank's license was revoked. On December 29, 2016, Delta Bank's license was renewed in respect of deposit-taking and opening of bank accounts for individuals.

3.2. Insurance Sector

As of January 1, 2017, the insurance sector of the Republic of Kazakhstan was represented by 32 insurance organizations, 15 insurance brokers and 59 actuaries.

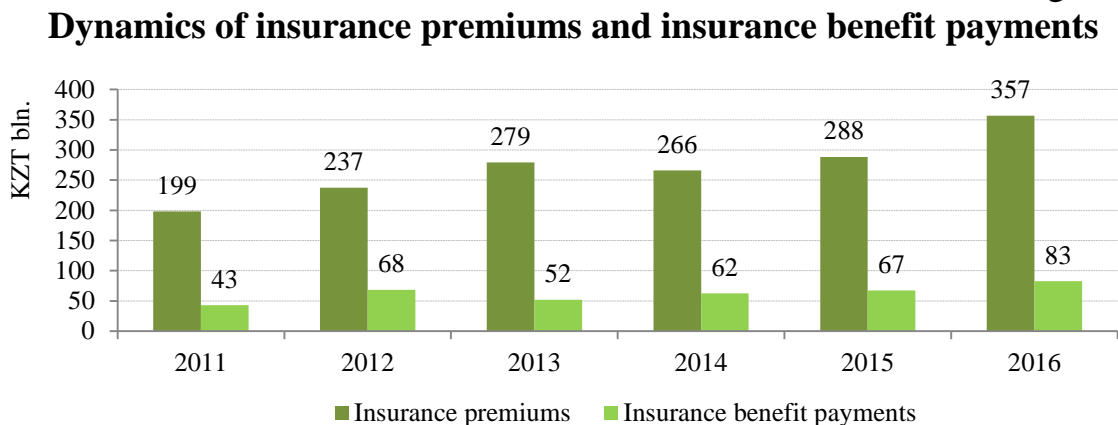
During 2016, the overall volume of assets of insurance organizations increased by 3.8% and at January 1, 2017 amounted to KZT 856.5 bln. During 2016, the total owners' equity decreased by 0.5% and amounted to KZT 402.3 bln. Liabilities of insurance organizations amounted to KZT 454.2 bln., exceeding the amount of liabilities at end-2015 by 7.9%. Insurance reserves amounted to KZT 412.3 bln. or 90.7% of total liabilities, being by 9.0% larger as compared to 2015.

The total volume of insurance premiums increased by 23.8% and amounted to KZT 356.9 bln., where the amount of insurance premiums under direct insurance contract was KZT 323.2 bln., which exceeds the volume of 2015 by 22.7% (Figure 3.2.1). Within the structure of insurance premiums, the major portion falls on voluntary property insurance – KZT 179.8 bln. or 50.4% of total insurance premiums; KZT 86.4 bln. or 24.2% was collected on voluntary personal insurance; and KZT 90.6 bln. or 25.4% falls on compulsory insurance.

Total insurance benefit payments made during 2016 amounted to KZT 82.9 bln., having increased by 23.4% as compared to 2015 (Figure 3.2.1). The structure of insurance benefit payments by lines of insurance is as follows: voluntary

personal insurance accounts for 36.4%, compulsory insurance – 33.4%, and voluntary property insurance – 30.2%.

Figure 3.2.1



The volume of insurance premiums ceded to reinsurance amounted to KZT 131.5 bln. or 36.8% of total insurance premiums. In doing so, 31.7% of total insurance premiums were ceded to reinsurance to non-residents of the Republic of Kazakhstan.

Regulation

Insufficient development of insurance in Kazakhstan stems from many factors, including the accumulated problems in the area of compulsory lines of insurance, imperfection of insurance products and services in voluntary lines of insurance, modest quality and regional inaccessibility of service of insurance companies, low level of insurance culture and low confidence in insurance instruments on the part of the population and businesses.

The Draft Law of the Republic of Kazakhstan “Regarding Amendments to Some Legislative Acts of the Republic of Kazakhstan on Insurance and the Insurance Business” was included in the Plan of Law-Drafting Activities of the Government for 2017. The draft law provides for a set of amendments to be made in the legislature regarding the development of the market of products and services in voluntary and compulsory insurance, for improvements in activities of professional participants and infrastructure organizations of the insurance market. When drafting the law, in 2016 the National Bank conducted two sessions of the Council of Financial Stability and Financial Market Development regarding the insurance business. Meetings of the working group and round table discussions were held on the draft law to discuss conceptual changes into the insurance legislation with the members of the Financial Institutions Association of Kazakhstan, with representatives of stakeholders from the government, organizations and business communities. The draft law is intended to solve policy objectives envisaged in the Concept for the Financial Sector Development of the Republic of Kazakhstan to 2030.

As per compulsory insurance, measures were proposed to optimize the lines of insurance, specify insurance risks, implement standard products used in developed countries, develop electronic insurance services, and introduce imputed

insurance – compulsory insurance with flexible terms and conditions of insurance based on specifics of operation and client's interests.

With a view to develop endowment insurance, there is an intention to introduce endowment insurance products with the insurant's share in investment returns of an insurer and the possibility of choosing an investment portfolio. The expansion of options in the pension annuity is considered, with a view to ensure that both spouses will get insurance benefit payments.

In reinsurance, measures were considered to increase requirements to quality and transparency of reinsuring risks abroad as well as to use the potential of the local co-insurance and reinsurance market in an efficient manner.

The following measures are provided in relation to development of the insurance market infrastructure:

- expanding the scope of the insurance ombudsman in compulsory and voluntary classes of insurance (with a view to provide assistance in pre-judicial dispute resolutions regarding insurance benefit payments);

- building a reference data base on insurance contracts (that will contain reliable and full information for insurers, insureds and the regulator) and its integration with data bases of government authorities;

- improving the insurance indemnity guarantee system to increase the level of protection for insureds in socially important lines of insurance;

- establishing a self-regulated organization of licensed actuaries and entrusting this professional association with functions to take qualification exams, provide training to actuaries and perform actuarial computations for the insurance industry.

In 2016, the National Bank was drafting insurance regulations aimed to increase financial soundness of insurance organizations. Particularly, changes to the methodology of prudential ratio calculation were made that provide for a step-by-step increase in the minimum registered capital and equity of insurance organizations, extension of the list of financial instruments eligible for sale as well as included in the calculation of solvency margin, the change in the calculation procedure for self-retention when ceding risks for reinsurance. Also, the rules for calculation of the class under the bonus malus system as assigned to an insured (the insured person) in case of compulsory motor civil liability insurance were approved. Rules for determining the amount of damage caused to a vehicle had been drafted that establish uniform requirements for insurance organizations regarding how the amount of damage caused to a vehicle as a result of an insured event occurrence will be determined.

With a view to improve social standing of the affected employees, insurance benefit payments under annuity insurance contracts concluded by the employer are exempted from taxes with regard to compensation of damage caused to life and/or health of an employee in connection with the discharge of his/her employment (official) duties.

In order to bring the norms in line with the civil legislation and as a top-priority measure in transition to on-line insurance and electronic sales of insurance policies, in 2016 the requirement about excluding the insurant's signature on the

insurance policy form as well as the insurer's stamp on the policy form on mandatory lines of insurance was envisaged.

Licensing

In 2016, as part of the licensing and authorization activity, 151 applications/petitions were considered, of which 118 received positive feedback, including:

1 approval to a legal entity for acquisition of a status of an insurance holding company and 1 approval to a natural person for acquisition of a status of a large participant of an insurance (reinsurance) organization were issued;

1 authorization for a voluntary liquidation of an insurance (reinsurance) organization was issued;

based on consideration of applications for issue (re-issue) of insurance licenses, 12 insurance (reinsurance) licenses were re-issued (8 licenses in connection with exclusion of classes of insurance and 4 licenses in connection with the change of location and/or name) and 4 licenses on additional classes of insurances were issued;

3 insurance broker licenses and one actuarial license were re-issued;

as a result of consideration of 87 applications about approval of nominees for managerial positions in insurance (reinsurance) organizations and insurance holding companies, 80 nominees were approved;

18 actuaries took their qualification exam (15 actuaries passed their qualification exam).

Inspection, Off-site Supervision and Supervisory Response

In 2016, 12 inspections were conducted on the basis of assessments of risks in the activities of the insurance market entities, including 9 inspections of operations of insurance organizations and 3 inspections of operations of insurance brokers.

The key issues covered in the course of inspections were: the procedure for entering into and execution of compulsory and voluntary insurance contracts; accuracy of prudential ratio calculations; activities of insurance agents; reinsurance business; assessing effectiveness of the risk management system; investment activity; accuracy of insurance reserve calculations; credibility and reliability of accounting records.

Based on inspections conducted in 2016 in respect of the insurance market entities, 11 restricted remedial actions were taken in the form of notices of improvement (3 restricted remedial actions based on inspections in 2015 and 8 restricted remedial actions based on inspections in 2016), 152 protocols of administrative offence were formalized. The total amount of administrative penalties imposed on the insurance market entities in 2016 was KZT 37.6 mln., of which KZT 6.3 mln. on administrative cases handed over to courts.

As part of the off-site supervision, compliance with the legislation of the Republic of Kazakhstan, including in respect of prudential regulation, on the part of insurance organizations, their large participants (insurance holding companies), insurance groups, insurance brokers, and actuaries was monitored. Financial position of insurance organizations, movement of assets and liabilities of insurance

organizations were analyzed, key performance indicators of insurance organizations, insurance and reinsurance contracts, insurance benefit payments and compliance with requirements to reinsurance business, compliance with requirements to the risk management and internal control system, and the investment portfolio structure, as well as adequacy of reserves created by insurance organizations, actuarial opinions, calculation of prudential ratios and loss ratios, financial and regulatory reporting, were checked. The activities on the automation of business processes are carried out on an ongoing basis. Also, the degree of financial soundness of insurance organizations was assessed on the basis of early warning tests and their classification was made according to the Risk Matrix with relevant analytical opinion about their financial position. Based on the results, 25 action plans to increase financial soundness, eliminate shortcomings and violations in submissions to the National Bank were requested.

As part of the early response measures aimed to increase financial soundness of the insurance sector, 3 insurance organizations accomplished recapitalization totaling KZT 14.3 bln.

Based on the results of off-site supervision, restricted remedial actions were taken in respect of:

insurance organizations: 31 notices of improvement were sent, 46 written warnings made, and 2 written agreements concluded;

large participants of insurance organizations: 1 notice of improvement was sent;

actuaries: 3 notices of improvement were sent, 1 written warning made;

insurance brokers: 7 notices of improvement were sent, 4 written warnings made.

The total amount of administrative penalties imposed on the insurance market entities under 68 administrative offence cases was KZT 29.7 mln.

Licenses of 1 insurance organization for compulsory and voluntary lines of insurance and of 1 insurance broker were suspended for violation of requirements of the insurance legislation.

In 2016, the National Bank appointed its representatives in 6 insurance organizations. These representatives checked the adequacy of created insurance reserves, fulfillment of action plans aimed to avoid deterioration in financial position of insurance organizations, reasonableness of payment of large fees to agents under insurance contracts and other matters.

3.3. Securities Market

As at January 1, 2017, the securities market of the Republic of Kazakhstan was represented by 46 brokers and/or dealers, 10 custodians, 23 investment portfolio managers, 2 transfer agents, 1 trades organizer, and 1 organization engaged in clearing on transactions with financial instruments. The “Central Securities Depository” JSC and “Unified Securities Registrar” JSC engage in professional activities in the securities market without a license.

At the end of 2016, the aggregate financial indicators of brokers and/or dealers and investment portfolio managers decreased as compared to 2015. The 5.6% reduction in assets was associated with the decreased cost of investments in equity of other legal entities. The decreased net profit in connection with negative foreign currency revaluation caused reduction in owners' equity of 14.0%.

As at January 1, 2017, the number of issuers of non-government issue-grade securities was 1 730, of which the number of joint-stock companies with effective securities issues was 1 337 (Figure 3.3.1). Gradual reduction in the number of effective issues of shares occurs because joint-stock companies where the amount of registered capital was not brought in compliance with requirements of the Joint-Stock Company legislation of the Republic of Kazakhstan shall be liquidated under a voluntary or forced procedure.

Figure 3.3.1



During 2016, the National Bank registered 25 issues of shares and cancelled 218 issues of shares. Of which, 65 were cancelled based on the National Bank's claims on the basis of decisions by territorial specialized economic courts about forced liquidation of joint-stock companies whose registered capital does not comply with legislative requirements, and 66 issues – on the basis of letters from the Ministry of Justice of the Republic of Kazakhstan about liquidation and reorganization of joint-stock companies. The remaining 87 issues of shares were cancelled based on resolutions of general shareholder meetings about reorganisation and liquidation of such joint-stock companies.

As at January 1, 2017, the number of effective issues of shares was 393 with total par value of KZT 10.3 trln., of which 264 issues were included in the official listing of the Kazakhstan Stock Exchange, including 91 issue – into the “Debt Securities of the Quasi-Government Sector Entities” category, and 173 issues – in the “Other Debt Securities” category.

In 2016, 17 issues of non-government bonds totaling KZT 414.7 bln., 9 bond programs with the issuance volume of KZT 953.8 bln., including 25 bond issues within such bond programs amounting to KZT 666.2 bln. were registered

During 2016, 2 issuers defaulted on the payment of principal and accrued interest on issued bonds (“Imstalkon” JSC, “Kazakhstan Kagazy” JSC).

As at January 1, 2017, 20 unit investment funds whose assets are managed by investment managers (14 – close-end, 1 – open-end and 5 – interval funds) as well as 18 joint-stock investment funds including real estate trusts were operating in the securities market. Total assets of investment funds amounted to KZT 530.6 bln., where assets of unit investment funds amount to KZT 465.0 bln., and assets of joint-stock investment funds – to KZT 65.5 bln., including KZT 33.7 bln. in assets of real estate trusts.

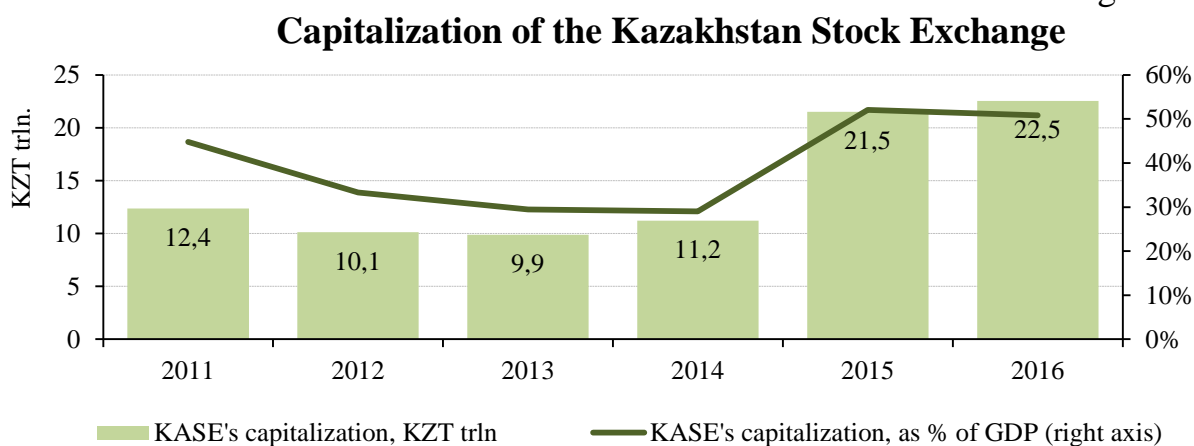
Organized Securities Market

In Kazakhstan, the organized securities market is represented by the “Kazakhstan Stock Exchange” JSC (KASE).

As at January 1, 2017, the structure of the Kazakhstan Stock Exchange’s official listing is represented by 116 stock issues of corporate issuers (19.8% of the total number of securities issues included into the official list), by 264 bond issues of corporate issuers (45.0%), 195 issues of government securities (33.2%) and 5 issues of securities of international financial institutions (0.9%).

During 2016, the overall capitalization of the market of non-government securities included into the Kazakhstan Stock Exchange’s official listing increased by 4.7% and amounted KZT 22.5 trln. (Figure 3.3.2).

Figure 3.3.2



During 2016, the volume of transactions with non-government securities (including the repo sector) in the organized market decreased by 49.8% and amounted to KZT 1.1 trln., including KZT 330.4 bln. in the secondary market and KZT 425.2 bln. in the primary market.

In 2016, the volume of stock exchange transactions with government securities (including the repo sector) in the organized market amounted to KZT 57.3 trln. and increased by 2.4 times as compared to 2015 because of the increased volume of repo operations.

Regulation

Low liquidity, insufficient financial literacy of retail investors, the absence of “anchor” investors in the market and, thus, low motivation of Kazakhstani

companies in attracting capital via the securities market still represent key problems of the domestic securities market.

In 2016, the session of the Council of Financial Stability and Financial Market Development of the Republic of Kazakhstan was held to address the issues related to development of the securities market, where the following important topics were discussed: liberalizing activities of professional participants in the securities market (brokers, managing companies); improving the infrastructure which ensures the market functioning; establishing the system of incentives to attract new issuers and investors.

With a view to establish a stable and transparent securities market, increase its competitiveness, provide an effective regulatory environment, expand the issuer and investor base, the National Bank proposed a number of measures the majority of which had been implemented in 2016. Specifically, the following measures had been implemented:

- requirements to brokers in conducting securities operations were liberalized, possibilities for entering into international stock markets were expanded for brokers;

- restrictions in respect of brokers and/or dealers which are not banks for their participation in trades in the initial offerings of government securities (government treasury obligations of the Republic of Kazakhstan) were eliminated;

- the list of securities which can be used in repo operations conducted in the stock exchange trading system in an “automatic” manner by including shares into Foreign Indices Representative List (S&P 500 Index, FTSE 100 Index, S&P Global 100 Index, Dow Jones Industrial Average Index, MICEX Index) was extended;

- a possibility of rendering electronic services to clients by brokers was provided, including trading on the basis of a client’s digital signature and electronic service provision via a personal on-line account (as at the end of 2016, 10 brokers have already taken this advantage and provided electronic services to more than 22 thousand clients);

- procedures for issuers to enter into the stock market were simplified; requirements regarding registration of a securities issue were optimized; the number of authorization procedures related to making changes in the prospectus was reduced; and the access by investors to the information about activities of issuers was eased and streamlined.

Proposals requiring changes in the legislative provisions formed the basis for the relevant draft law.

The regulatory environment will be improved further in the following areas:

- optimization of the securities market infrastructure by reorganizing the Central Depository and the Unified Registrar, by establishing the common data base on all securities holders on the basis of the Central Depository thus allowing simplification of procedures and shortening of the time for registration of transactions with securities as well as reducing client costs due to tariff optimization;

increasing transparency of the OTC securities market and encouraging the demand for publicly traded financial instruments, establishing the integrated information system of the OTC securities market on the basis of the Central Depository, thus enabling the market participants to exchange quotations on securities and enter into transactions;

simplifying the terms of securities trading by introducing new technologies, developing electronic trading, systems of a remoted access to trades for investors, designing a system of electronic voting at the general shareholder meeting;

further improvement of the system for protection of investor rights in the securities market, implementation of the regime of regulation, control and supervision of forex brokers/financial advisers;

further optimization of authorization procedures associated with the securities issuance that will be providing for transition to an electronic format of the securities prospectus and its automatic updating based on information posted by issuers in the financial statement depository.

Licensing

In 2016, a license for broker and dealer activities in the securities market was surrendered on a voluntary basis (“VISOR Capital” JSC).

Because of a regular non-compliance with requirements of the laws of the Republic of Kazakhstan regarding the minimum capital adequacy ratio and the amount of registered capital, in June 2016 the securities license granted to the Brokerage Firm “Astana Finance” JSC was suspended for one month. Since this company failed to remove the causes that entailed the license suspension, in August 2016 its license was revoked.

Apart from that, because of non-compliance with the capital adequacy prudential ratio, in November 2016 the license for investment portfolio management granted to the “Gold Investment Group” JSC was suspended for one month.

Meantime, in 2016 “NefteFas-Dem” Management Company JSC and “VISOR Capital” JSC were granted licenses for broker and dealer business in the securities market and for investment portfolio management; also, a subsidiary of “Home Credit and Finance Bank” JSC was granted the license for dealer business in the securities market.

Due to the change in the registered offices of licensees in 2016, five licenses granted to professional securities market participants for engaging in activities in the securities market were re-issued; also, one license was re-issued due to the licensee’s reorganization.

Inspection, Off-site Supervision and Supervisory Response

In 2016, 12 inspections of activities of the securities market entities were conducted on the basis of risk assessments, including 10 brokers-dealers which also possess licenses for investment portfolio management, inspection of 1 broker-dealer which is also engaged in the transfer agency business and the “Central Securities Depository” JSC as well as one unscheduled inspection of a broker-dealer based on the request of its client (an individual).

Inspections on the basis of risk assessment were conducted with the view to

check their compliance with the requirements of legislation which govern the procedure for engaging in the professional activities in the securities market, legislation on accounting and financial reporting, laws on counteracting the money laundering and terrorist financing, as well as the legislation which established the procedure for disclosures by the securities market entities about corporate events as well as about changes in their activities that affect interests of securities holders.

As a result of inspections conducted in 2016 in respect of the securities market entities, 11 restricted remedial actions in the form of improvement notices were taken, 146 protocols of administrative offence formalized, of which 107 were submitted to courts for their consideration. In 2016, the total amount of administrative penalties imposed upon the securities market entities equaled KZT 55.4 mln., including KZT 40.8 mln. – on administrative cases submitted to courts for their consideration.

The purposes of off-site supervision include ensuring efficient and timely control over activities of the securities market entities aimed to avoid prejudicing investors; insuring financial soundness of the professional securities market participants; monitoring the discharge of their obligations to investors by securities issuers. The off-site supervision of the professional securities market participants includes the analysis of their financial and regulatory reports for compliance with prudential ratios, of requirements to the amount of registered capital, control over provision of services to clients as part of the professional lines of business, compliance with requirements to availability of risk management and internal control systems as well as compliance with other norms and limits established by the legislation of the Republic of Kazakhstan on the securities market.

In 2016, based on the off-site supervision, 61 limited remedial actions were taken in respect of professional securities market participants, 24 administrative penalties totaling KZT 9.8 mln. were imposed and three sanctions were applied in the form of license suspension or revocation. 11 early response measures were applied in respect of 10 professional participants of the securities market (brokerage firms and investment portfolio managers (6 of which were enforced in 2016) that are aimed to prevent deterioration in the financial position of those entities and to ensure compliance with prudential ratios established by the laws of the Republic of Kazakhstan. The reasons for taking early response measures were reduction in capital adequacy ratio of certain professional securities market participants, the decreased volume of their liquid assets as well as loss-making operation.

Because of regular non-compliance with the prudential capital adequacy ratio one organization engaged in the broker-dealer business in the securities market as well as in the investment portfolio management was deprived of respective licenses (“Astana Finance Brokerage Company” JSC). In respect of an organization which possesses the license for investment portfolio management and which violated the capital adequacy prudential ratio, the decision was made to suspend its license for one month; later, because of the organization’s failure to remove the causes for license suspension, in January 2017 the decision about the license revocation was made (“Gold Investment Group” JSC).

The major breaches that entailed application of restricted remedial actions and sanctions in respect of the professional securities market participants were errors in the internal accounting systems of the professional securities market participants, non-compliance with deadlines for submission of reports to the competent authority, and shortcomings in the risk management and internal control system.

As part of the monitoring of securities issuers, in 2016 the analysis of reports of bond holders' representative was made to check whether issuers of securities discharge obligations and covenants set forth in prospectus as well as whether the issuers use the money received from the bond offering as designated. Based on reports from the issuers which failed to discharge or unduly discharged their obligations to bonds, the discharge of obligations to investors by such issuers was monitored. With a view to furnish investors with full and timely information about the state of the securities market and activities of issuers, control was exercised over disclosures by issuers regarding corporate events and other information affecting interests of securities holders that is posted on the Internet-resources of Financial Statements Depository and the "Kazakhstan Stock Exchange" JSC.

In 2016, based on the monitoring of securities issuers, the National Bank applied 543 restricted remedial actions, formalized 83 protocols of administrative offence and imposed administrative penalties totaling KZT 20.5 mln.

As certain elements of offence in the Administrative Code of the Republic of Kazakhstan were streamlined from January 1, 2016, given recurrence and materiality of offence, the number of administrative cases initiated in respect of issuers decreased by 17 times.

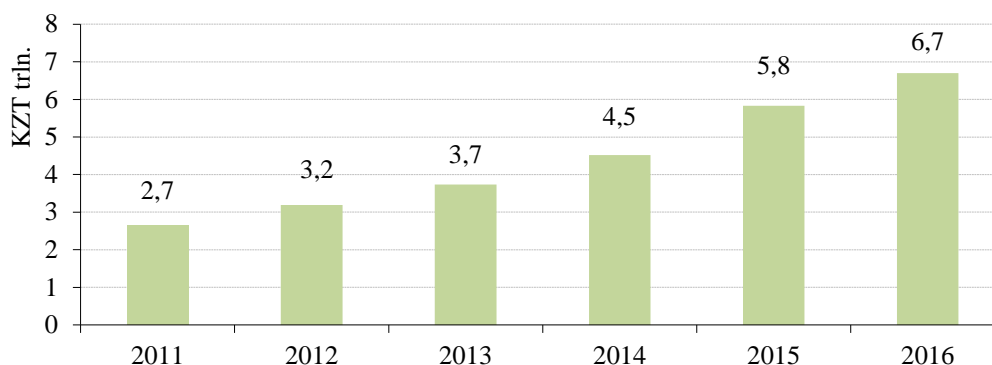
Major violations that entailed application of restricted remedial actions and sanctions in respect of the securities issuers were non-compliance with the procedure and deadlines for provision of information to investors; violation of the procedure and terms of securities offering; failure by issuers to discharge obligations imposed on them through application of restricted remedial actions; non-compliance with the deadlines for submission of reports as well as advertising in the securities market that is not consistent with the reality.

3.4. Accumulation Pension System

As at January 1, 2017, the "Unified Accumulation Pension Fund" JSC (UAPF) was the only organization engaged in taking compulsory pension contributions, compulsory professional pension contributions and voluntary pension contributions. The Government is a sole shareholder in the UAPF. The National Bank is a fiduciary manager of UAPF's shares which belong to the Government and is engaged in pension asset management.

The amount of pension assets at January 1, 2017 was KZT 6.7 trln., having increased by 855.1 bln. or by 14.7% over the year (Figure 3.4.1).

Figure 3.4.1

Dynamics of the change in total pension assets of the UAPF

The number of individual pension accounts of contributors (beneficiaries) of the UAPF at January 1, 2017¹² was: on compulsory pension contributions – 9.4 million accounts with the total amount of pension accumulations of KZT 6.6 trln., on compulsory professional pension contributions – 0.4 million accounts with the total amount of pension accumulations of KZT 100.7 bln. and on voluntary pension contributions – 36.5 thousand accounts with the total amount of pension accumulations of KZT 1.7 bln. On the year-to-date basis, the total volume of pension contributions of contributors, having increased by KZT 551.9 bln. or by 12.6%, at January 1, 2017 amounted to KZT 4.9 trln.

In 2016, payments of retirement benefits amounted to KZT 169.7 bln., including transfers to insurance organizations.

Regulation

In pursuance of the Presidential Message to the people of Kazakhstan as dated November 30, 2015, “Kazakhstan in a New Global Reality: the Growth, Reforms, Development”, as regards the UAPF’s removal from the National Bank’s control and the transfer of pension assets to be managed by private and/or foreign management companies, proposals for reforms in the accumulation pension system were prepared.

The proposed model for reforming the accumulation pension system will enable to:

- involve contributors in the process of their pension accumulations management by giving them an opportunity to choose a pension asset manager and an investment strategy;

- reduce concentration of systemic risks and resolve the conflict of interest of government authorities in the course of private pension accumulations management;

- ramp up the domestic stock market through appearance of new “anchor” investors in the form of management companies.

It is expected that pension asset management will be carried out by several large private management companies. Operation in a competitive environment will

¹² The number of individual pension accounts of contributors (beneficiaries) is presented excluding individual pension accounts which do not have a balance of pension accumulations at the reporting date

require from management companies to generate a larger investment return, since the level of profitability and the quality of financial instruments will serve as their competitive advantages. The National Bank, in its turn, will remain as a pension asset manager for those contributors who did not make the choice of a management company and will also manage pension accumulations of individuals of retirement age and pre-retirement age under a conservative investment strategy. The UAPF will function as a unified administrator of all financial and information flows across the accumulation pension system including the taking of pension contributions and payment of retirement benefits, will handle contributors (beneficiaries) under the “single window” principle providing advisory and information services to them.

Proposals regarding the accumulation pension system reform were reviewed at the sessions of the Economic Policy Council and were discussed with stakeholder government agencies and the business community.

To implement the above proposals, amendments to provisions of the existing laws had been drafted and are currently discussed with the Government.

Off-site Supervision and Supervisory Response

Goals of the off-site supervision include ensuring efficient and timely control over activities of the accumulation pension system entities aimed to safeguard pension accumulations of contributors (beneficiaries), preventing and precluding violations of requirements of the retirement legislation of the Republic of Kazakhstan by the accumulation pension system entities, furnishing contributors (beneficiaries) with reliable information about the status of their pension accumulations and ensuring protection of other rights and lawful interests of contributors (beneficiaries). As part of the off-site supervision of the UAPF, the composition of the UAPF’s executive body and management body as well as of its executive officers was monitored for compliance with the laws of the Republic of Kazakhstan and the UAPF’s Charter; the fee charging procedure of the UAPF was checked for compliance with the laws of the Republic of Kazakhstan; the UAPF’s investment portfolio made of pension assets was monitored for compliance with the UAPF’s investment declaration; control was exercised over how the UAPF discloses information to contributors (beneficiaries) and other persons in the amount required by the laws of the Republic of Kazakhstan and the UAPF’s retirement regulations; control was exercised over the UAPF’s compliance with requirements regarding carrying out activities by the UAPF.

In 2016, no restricted remedial actions and sanctions had been taken in respect of the UAPF based on the results of its off-site supervision.

In 2016, the National Bank issued 1 approval for appointment (election) of an executive officer of the UAPF. There were no denials for approvals.

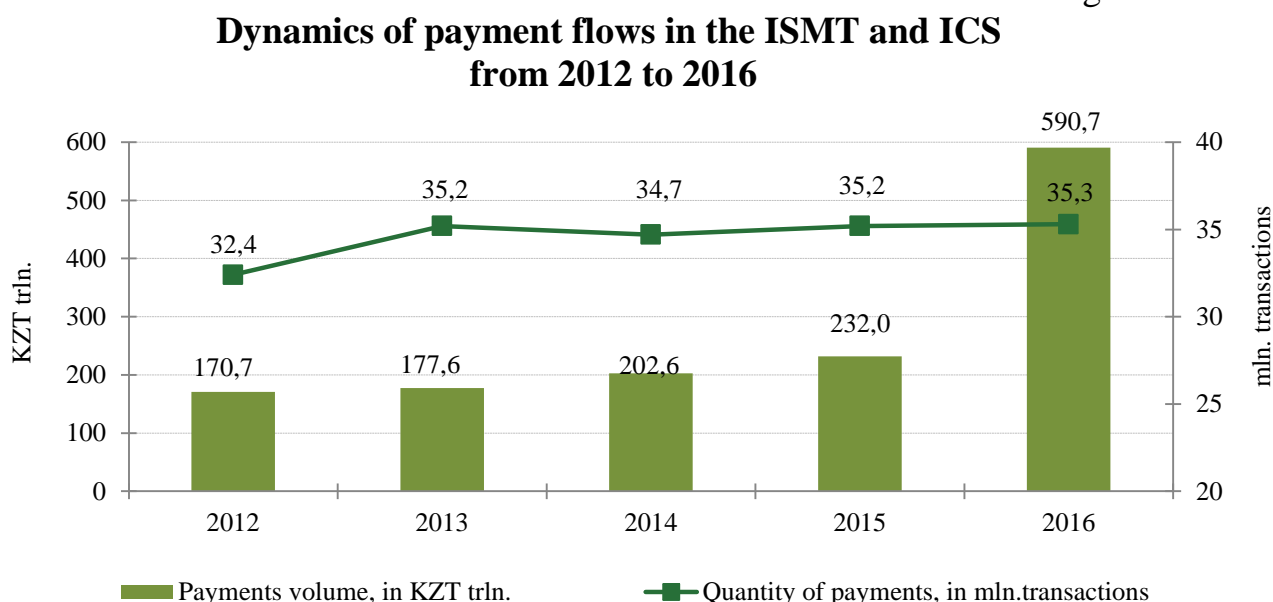
At present, a top-priority area in control and supervision of the UAPF is strengthening the risk management and internal control system.

3.5. Payment Systems and the Payment Services Market

The key payment systems of the national scale are the systems operated by the National Bank – the Interbank System of Money Transfers (“ISMT”) and the Interbank Clearing System (“ICS”). These systems process a bulk of payments in the domestic currency in the country; they have effective risk management mechanisms, therefore, they are characterized by a high level of uninterrupted operation; they meet the needs of the financial market participants in timely payments and money transfers.

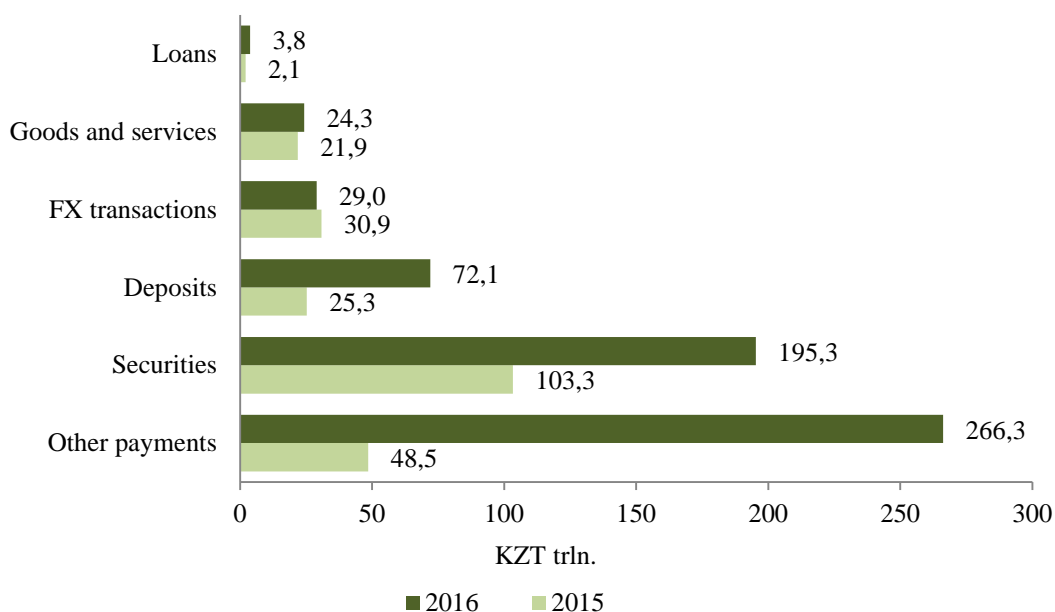
In 2016, 35.3 mln. transactions totaling KZT 590.7 trln. were processed in the ISMT and ICS (Figure 3.5.1). As compared to 2015, the quantity of payments in the payment systems increased by 0.3% (by 117.2 thous. transactions), and the amount of payments increased by 2.5 times (by KZT 358.7 trln.).

Figure 3.5.1



The growth of payment volumes in payment systems was mainly driven by the 89.4% growth in volumes of payments on operations with securities of Kazakhstani residents and the 2.9 times growth in operations on interbank deposits and transfers of own funds of banks and their clients (Figure 3.5.2). On average, 144.1 thous. transactions totaling KZT 2.4 trln. were processed in these payment systems every day in 2016.

Figure 3.5.2

Payment volumes in the ISMT and ICS, by payment purposes

Coefficient of uninterrupted operation (operability) of payment systems is one of the key indicators of efficient development of interbank payment systems. Based on generally accepted standards, when such coefficient exceeds 99%, it is an indication of highly efficient systems functioning in the country. During 2016, the average operability coefficient of the ISMT was 99.803%, and operability coefficient of the ICS was 99.976%.

Interbank System of Money Transfers

As at January 1, 2017, 47 users were registered in the ISMT. In 2016, 14.0 million transactions amounting to KZT 584.7 trln. were processed in the ISMT. As compared to 2015, the volume of payments increased by 2.6 times (by KZT 358.2 trln.), and the quantity of electronic payment messages increased by 3.8% (by 516.3 thous. transactions). In 2016, an average amount of one electronic payment message in the ISMT was KZT 41.7 mln., having increased by 2.5 times (by KZT 25.0 mln.) as compared to 2015.

Payments in the amount up to KZT 3 mln. account for the largest portion of payments in the ISMT (87.4%), and the largest payment amount is among payments in the interval over KZT 1 bln. (their share accounts for 85.9%).

Mainly, the system processed payments on securities operations of residents of Kazakhstan – 33.0% of the total volume of payments in the ISMT, and on operations with interbank deposits and transfers of own funds of banks and their clients – 12.2%, the share of payments for goods and services accounted for 4.1% in 2016.

Interbank Clearing System

As at January 1, 2017, the number of participants in the ICS was 36. In 2016, 21.3 mln. electronic payment messages amounting to KZT 6.0 trln. were processed in the system. As compared to 2015, the number of payment messages in the clearing system decreased by 1.8% (by 399.1 thous. payment documents), and

the amount of payments increased by 8.9% (by KZT 489.6 bln.). In 2016, the average amount of one payment message in the ICS was KZT 282 400, having increased by KZT 27 800 or by 10.9% as compared to 2015.

In terms of an amount of payments, the largest portion in terms of the number of transactions in the ICS falls on the interval up to KZT 500 000 (90.0%), and in terms of the amount of payment – on electronic payment messages in the interval over KZT 1 mln. (their share accounts for 77.6%).

The major volume of payments in the ICS fell on payments of economic entities on settlements for goods and intangible assets (their share in the overall payment volume in the system accounted for 28.9%), for provided services (the share accounted for 26.2%); payments to the budget and payments from the budget (18.6%).

International Remittances

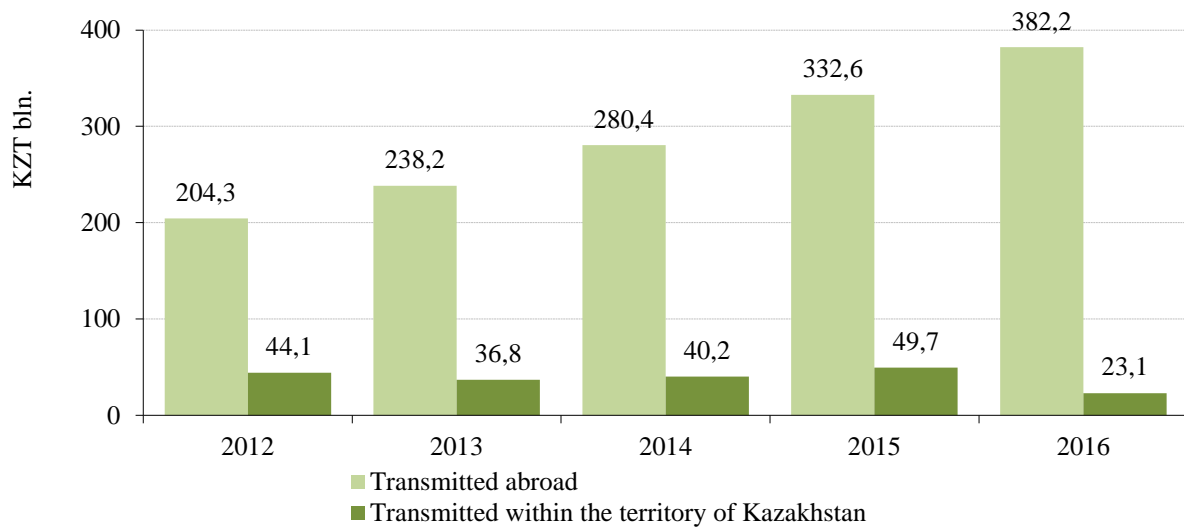
Such international remittances as the Gold Crown, Western Union, Unistream, Contact, Blitz, Faster and others are functioning in the Kazakh market. In 2016, 2.4 mln. transactions totaling KZT 405.3 bln. were conducted (transmitted) via international remittances. The amount of money transmitted via international remittances increased by 6.0%.

In most cases, the population of the country uses the international remittances to make transfers abroad: the share of payments and money transfers transmitted abroad accounted for 90.3% of the total quantity and 94.3% of the total amount of transactions.

Transfers from Kazakhstan via international remittances significantly exceed the receipts into Kazakhstan. So, during 2016, 2.1 mln. transactions amounting to KZT 382.2 bln. were transmitted abroad from the country via international remittances whereas money transfers from abroad amounted to 1.2 mln. transactions to KZT 248.5 bln. (a negative balance was KZT 133.7 bln.). The average amount of one transfer transmitted from the country was KZT 179 000, and of the transfer to the country – KZT 206 000.

At the same time, international remittances are also used for urgent payments within Kazakhstan, with the average amount of about KZT 100 000. So, during 2016, 230.7 thous. transactions amounting to KZT 23.1 bln. were conducted in Kazakhstan with the use of international remittances (Figure 3.5.3).

Dynamics of the change in money transfers transmitted via the international remittances



International remittances are mainly oriented at unrequited specific transfers in favor of other individuals – 2.4 mln. transfers amounting to KZT 402.8 bln. were made in 2016, accounting for 99.6% of the total quantity and for 99.4% of the total volume of transfers of individuals.

Electronic Payment Services Market

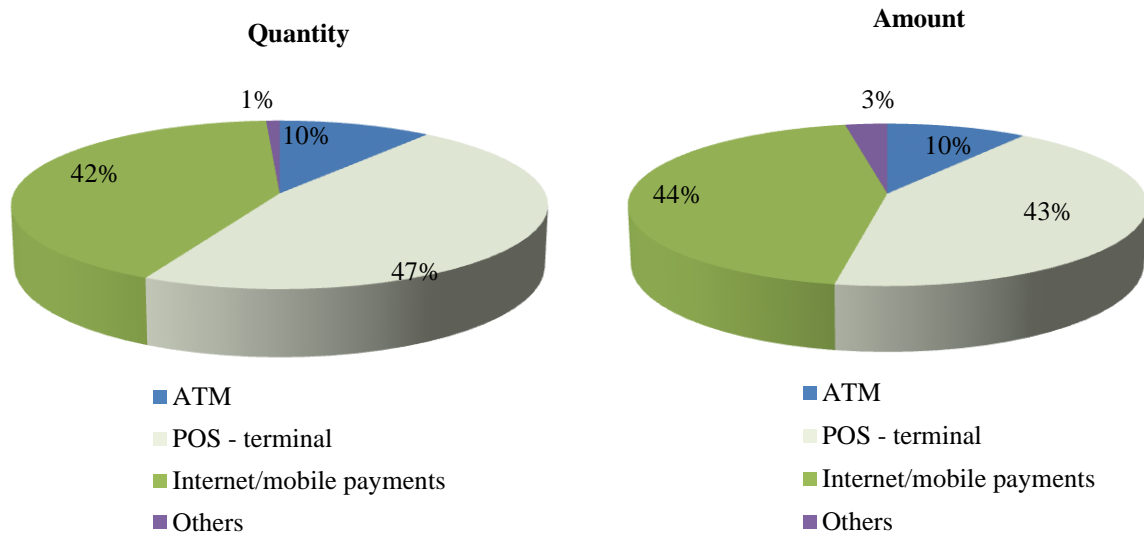
At the end of 2016, 27 banks and the “KazPost” JSC were providing electronic payment services to the population with the use and without the use of payment cards, via electronic terminals and remote access systems within the territory of Kazakhstan.

In 2016, 474.7 mln. transactions amounting to KZT 12.4 trln. were processed through electronic terminals and remote access systems; their growth versus 2015 accounted for 13.6% in terms of quantity of transactions and 28.6% - in terms of their amount. Of which, non-cash payments and money transfers made up 125.3 mln. transactions in the amount of KZT 1.9 trln., having increased versus 2015 by 38.8% in terms of quantity and by 44.6% in terms of the payment amount.

The main portion of non-cash operations falls on Internet/mobile payments (41.8% of the total quantity and 44.2% of the total amount). Also, payments via POS-terminals account for a large portion in the structure of non-cash payments (46.8% of the total quantity and 42.8% of the total amount). Other devices (ATMs, bank kiosks, and others) account for 11.5% and 13.0% of the total quantity and volume of non-cash payments, respectively (Figure 3.5.4).

Figure 3.5.4

Operations broken down by the non-cash payments medium



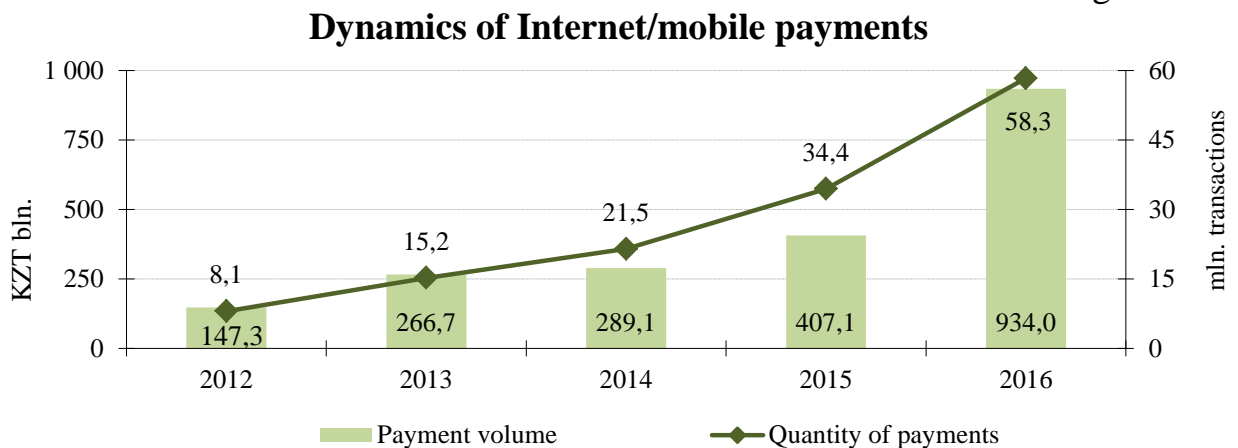
Payment for goods and services (56.0% of quantity and 39.1% of the amount of such transactions) have traditionally constituted a bulk of payments in the overall structure of non-cash payments via remote communication channels. The average amount of such payments is KZT 10 900.

Internet and Mobile Payments

At present, Internet/mobile banking systems represent the most burgeoning line of remote payment services, with about 20% of bank clients being connected to such systems.

In 2016, the volume of transactions conducted via Internet and mobile devices without and without and with the use of payment cards of Kazakhstani issuers within the territory and outside of Kazakhstan was 58.3 mln. transactions amounting to KZT 934.0 bln. As compared to 2015, the number of transactions increased by 69.4% in terms of quantity and by 2.3 times in terms of the payment amount (Figure 3.5.5).

Figure 3.5.5



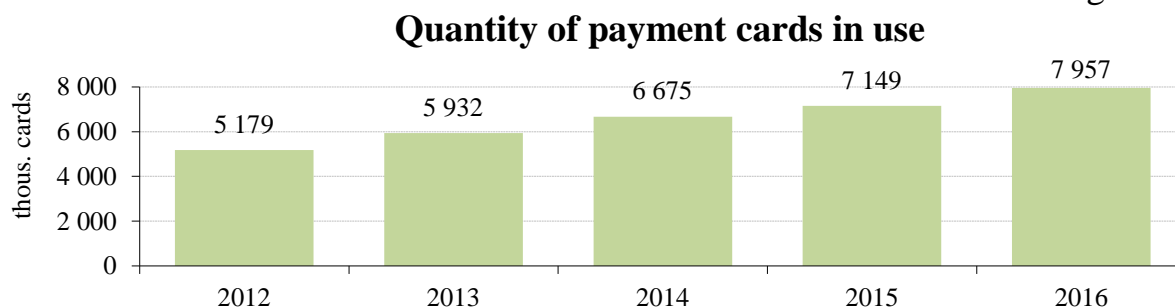
Payment Cards

As at January 1, 2017, 26 banks and the “KazPost” JSC were issuing payment cards in Kazakhstan; and the overall quantity of issued and disseminated payment cards was 15.7 mln.

The main portion of payment cards in circulation is comprised of international payment systems – 98.7%, which are represented by payment cards of VISA International (71.1%), MasterCard Worldwide (19.7%), China Union Pay (7.5%) and American Express International (0.3%). Local systems account for 1.3% of the market and are represented by such systems as Altyn Card and local cards of Citibank Kazakhstan.

In 2016, active payment cards (the cards used to make transactions) retain their growth trend. So, in 2016 the average quantity of payment cards in use was 8.0 mln., which exceeds the corresponding indicator for 2015 by 11.3% (Figure 3.5.6). Payment card products are actively used by about 45% of Kazakhstan’s population.

Figure 3.5.6



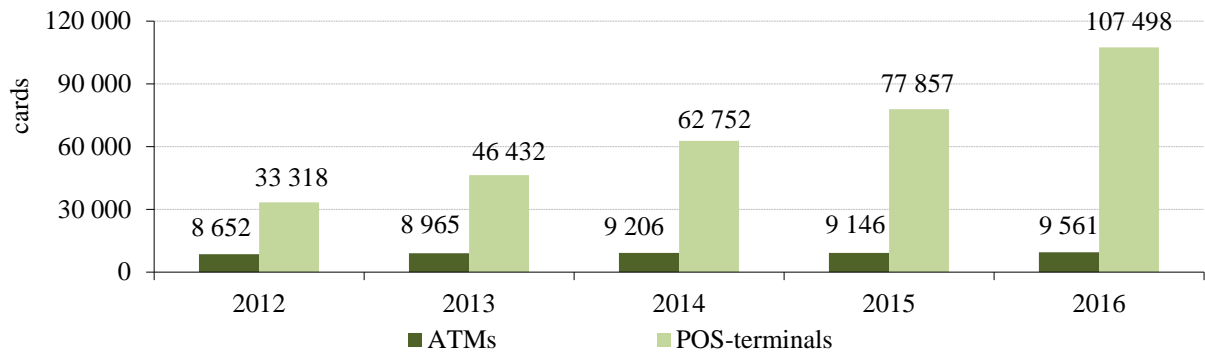
As at January 1, 2017, terminals for payment card servicing were installed by 22 banks and the “KazPost” JSC, of which 17 banks were providing settlement services with the use of payment cards in sales/service outlets.

At January 1, 2017, 66 000 sales outlets that accept payment cards were operating in Kazakhstan, which exceeded their number recorded at January 1, 2016 by 49.8%. In doing so, such businesses installed the payment card servicing equipment in 84 200 points of sale (the growth of 44.1%).

As at January 1, 2017, the payment card service network was represented as follows: 9 600 ATMs (the increase of 4.5% or 400 units as compared to the situation at January 1, 2016), 107 500 POS-terminals (the growth of 38.1% or 29 600 units). (Figure 3.5.7). There are 7 terminals and 1 ATM per 1 000 card holders in the country on average.

Figure 3.5.7

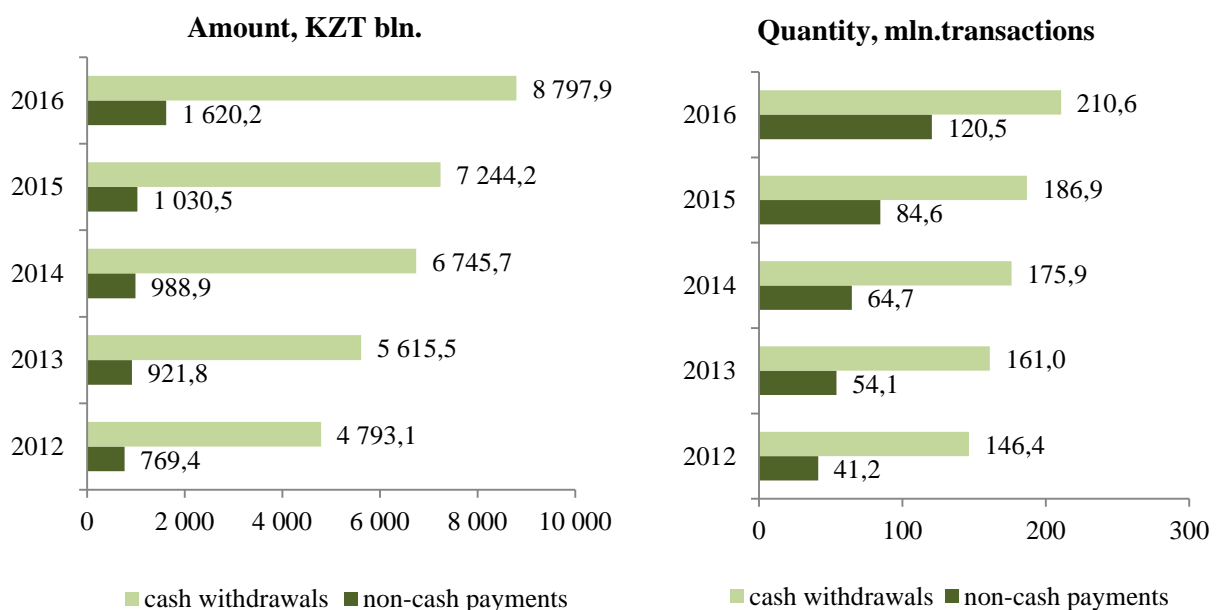
Trend of the change in the number of payment card servicing equipment



During 2016, the volume of operations conducted with the use of payment cards issued by the Kazakh issuers was 331.1 mln. transactions totaling KZT 10.4 trln. (as compared to 2015, the number of transactions increased by 22.0% and their amount increased by 25.9%). Of which, non-cash transactions account for 36.4% of the total number and 15.6% of the total amount, and cash withdrawals account for 63.6% and 84.4% respectively (Figure 3.5.8). Over recent years, the number of non-cash transactions has been gradually growing. So, if in 2012 the share of the number of non-cash payments in the overall structure of operations with the use of payment cards of Kazakhstani issuers accounted for 22.0%, in 2016 it reached 36.4%; and the share of operations in terms of their volume had increased from 13.8% to 15.6% over the period.

Figure 3.5.8

Dynamics of operations with the use of payment cards of Kazakhstani issuers



Electronic Money

The domestic market has favorable conditions for the development of electronic economy and electronic money as its integral element. At January 1, 2017, 11 banks of the Republic of Kazakhstan were engaged in issuing electronic money. The market offers 18 electronic money systems to the population.

At January 1, 2017, electronic money in circulation amounted to KZT 3.3 bln.

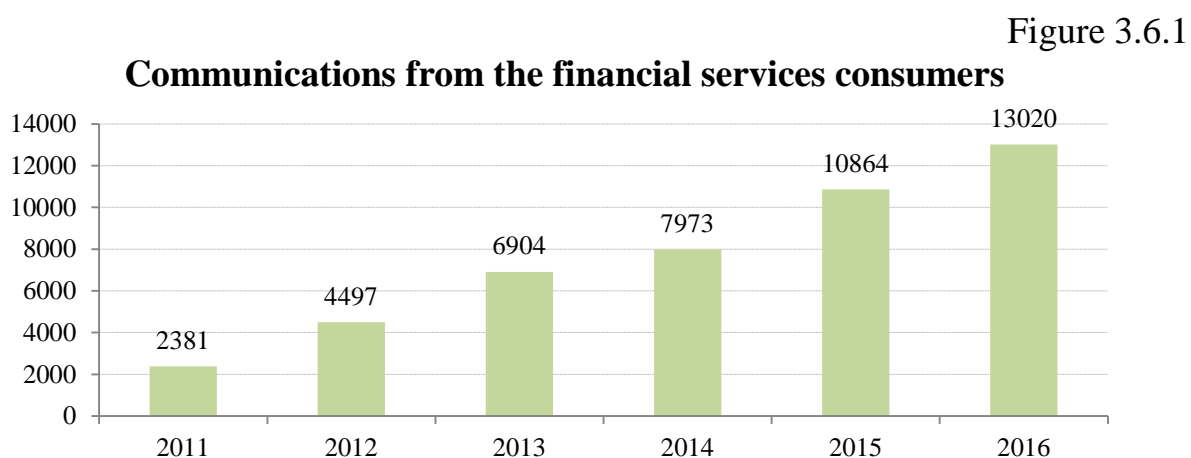
Since 2013, there has been a positive trend in the use of electronic money. So, during 2013 the amount of issued electronic money equaled KZT 5.0 bln., in 2016 it made up KZT 129.7 bln.

During 2016, the volume of transactions conducted with the use of electronic money of Kazakhstani issuers within the territory of Kazakhstan was 43.3 mln. transactions amounting to KZT 154.2 bln. (as compared to 2015, the number of transactions increased by 2.7 times and the amount – by 3.5 times).

3.6. Protecting Rights of the Financial Services Consumers

Protection of rights of the financial services consumers constitutes an integral and important part of the National Bank's effort to ensure stability of the financial system. Whereas it is necessary to provide a real and adequate protection which increases as the consumer demand intensifies and new IT-based financial products appear in the market, the National Bank's activity, inter alia, was focused on implementation of the following objectives: ensuring proper level of protection of rights and lawful interests of the financial services consumers and consumers of services of microfinance organizations and increasing financial literacy of the population.

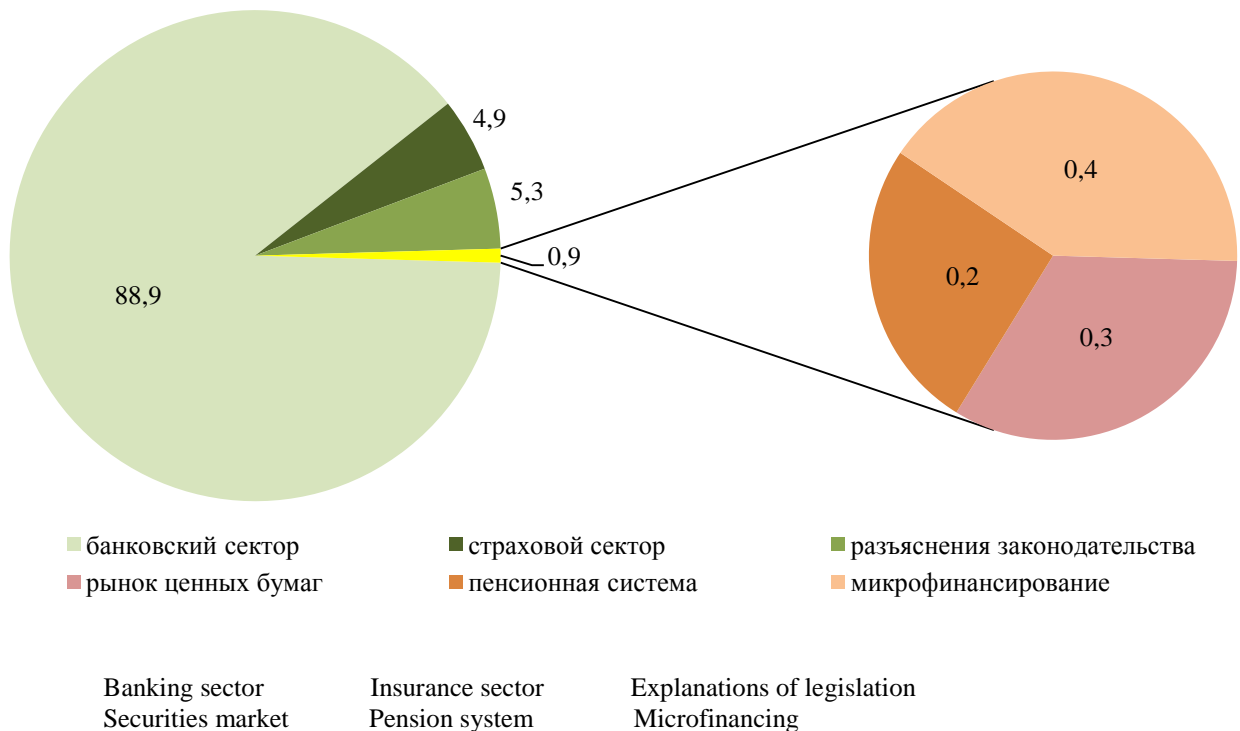
In 2016, 13 020 communications concerning protection of rights of the financial services consumers and consumers of services of microfinancial organizations were received by the National Bank for its consideration (Figure 3.6.1).



A significant portion of communications was in respect of the banking sector (banks and organizations engaged in certain types of banking operations) – 88.9%, of the total number (Figure 3.6.2).

Figure 3.6.2

Structure of communication by the financial market segments



Pressing topics in communications regarding the banking sector were as follows:

debt refinancing under the Refinancing Program, debt restructuring and/or remission;

verifying whether banks were acting in a lawful manner when servicing a bank loan (debt calculation, proper preparation of a bank loan agreement, involvement of third parties in debt collection, assignment of rights to third parties);

checking validity of foreclosure without recourse (acceptance-free) for the monies held on accounts of borrowers by banks;

checking banks' actions taken when servicing bank accounts, payments and money transfers;

checking banks' compliance with the collateral sale procedure, terms of collateral policy as well as validity of denials to release collateral;

compensating retail deposits in connection with transition to a free floating exchange rate regime.

As the analysis of communications regarding the banking sector shows, about 96% of communications are those from problem borrowers who are not in a position to discharge their obligations to banks, with such failure being caused by:

deterioration in their financial standing (loss of the source of income, reduced income, change in the borrower's status because of non-herited disability or acute exacerbation of chronic diseases);

inadequate evaluation of the borrower's creditworthiness at the time of lending;

the procedure of payment distributions with the priority of commissions and fees to be paid to the bank that was in force until July 2016 and was irrational and unfavorable for a borrower;

a failure by banks to take timely measures to collect overdue debt.

In the sector of insurance services, the most pressing topics of communications were:

disputes arising in compulsory motor civil liability insurance and relating to the disagreement about the insurance organization's assessment of the amount of caused damage, to delays in payments of insurance benefit as well as to a failure to make an insurance benefit payment;

refusals by insurance organizations to make an insurance benefit payment on voluntary lines of insurance;

a failure to disseminate the requested information by insurance organizations;

requests to check accuracy of calculations of insurance organizations (insurance premiums, the insured amount).

The following matters regarding activities of the securities market entities remain current:

non-payment of dividends;

explanation of requirements of the laws of the Republic of Kazakhstan "On Joint-Stock Companies", "On the Securities Market";

checking validity of distribution of shares among shareholders and the pricing of shares.

Communications regarding actions of microfinance organizations were related to:

the procedure for entering into, execution and termination of the microcredit agreement;

explanation of requirements of regulations regarding activities of microfinance organizations.

Also, in 2016 the National Bank received 58 communications about unlawful actions of microcredit organizations that did not pass the record registration at the National Bank as well as organizations which provide on-line lending. All applicants were provided with relevant explanations about provisions of the laws as well as with recommendations regarding their further steps.

Communications that related to activities of the "Unified Accumulation Pension Fund" JSC addressed the following issues:

refusal to pay out pension accumulations;

explanation of requirements of the retirement legislation;

verification of compliance of terms and conditions of a contract with requirements of the laws of the Republic of Kazakhstan;

pension accumulations were not transferred in full.

During 2016, based on violations of the existing laws of the Republic of Kazakhstan that were revealed as a result of the review of communications, 11 restricted remedial actions were taken in respect of financial organizations. Besides, as a result of reviewed communications from the financial services consumers, 19 administrative cases were initiated, of which 5 were initiated in respect of banks, 13 – in respect of insurance organizations and 1 – in respect of a securities market entity.

In 2016, the National Bank participated in 30 court sessions and 1 expert review that were related to civil cases on lawsuits filed by the financial services consumers against financial organizations and by financial organizations against the financial services consumers.

Throughout 2016, 788 individuals were received on a personal basis regarding provision of financial services; 1 120 individuals that applied to the National Bank's Community Liaison Office received counseling and legal support; 1 047 meetings of borrowers with representatives of banks and mortgage companies were arranged, whereby banks provided possible terms of restructuring to their borrowers.

Program for Residential Mortgage Loans/Mortgage Loans Refinancing

As one of the measures to resolve problems of mortgage borrowers, since April 2015 the National Bank has been implementing the Program for Residential Mortgage Loans/Mortgage Loans Refinancing. Resources in the amount of KZT 130.0 bln. allocated as part of the Refinancing Program were used to refinance loans provided by banks within the period from 2004 to 2009, with the balance of debt as at January 1, 2015 not exceeding KZT 36.5 mln. and being secured by a sole residential property.

As at January 1, 2017, 26.3 thous. applications were filed to banks, of which 19.9 thous. applications totaling KZT 121.3 bln. were approved, and 17.6 thous. loans totaling KZT 96.7 bln. had been refinanced.

Based on the review of issues arising in the course of the Refinancing Program implementation and with a view to increase the coverage of problem borrowers as much as possible as well as to support those borrowers which belong to the socially vulnerable groups of the population, the following essential amendments had been made to the Refinancing Program that provide for:

- exemption of borrowers which belong to the socially vulnerable groups of the population from payment of the state duty;

- refinancing of problem foreign currency loans in respect of which no court resolutions are made at the official exchange rate effective on August 18, 2015 (KZT 188.35/USD). In doing so, expenses of banks and mortgage companies from payment of the state duty and the exchange difference should be compensated with resources from the "Problem Loan Fund" JSC;

- refinancing (financing) on agreement between the parties of loans of those borrowers whose residential property was put on the books of a bank or a mortgage company;

extending the list of participants in the Refinancing Program by adding 9 banks, “Kazakhstan Mortgage Company” JSC and “AF “Ipoteka” JSC;

extending the period of loan refinancing to April 1, 2017;

abolishing the restriction regarding the floor space of a residential property and a land plot, designated use of a land plot, singularity of a land plot for those borrowers which belong to the socially vulnerable groups of the population;

including into the Refinancing Program those borrowers which proved that they belong to the socially vulnerable groups of the population at the date of their application for refinancing (those who were registered as disabled persons, those who retired, etc. after January 1, 2015).

In order to effectively implement the Refinancing Program, the National Bank, jointly with the Ministry of National Economy and the Ministry of Finance, made effort to exempt borrowers who are individuals from payment of taxes which arise in the course of refinancing of loans as part of the Refinancing Program.

In 2016, the National Bank, jointly with local executive authorities, conducted meetings of borrowers and public associations with banks in order to find mutually acceptable ways of repayment of problem debts. In addition, the National Bank provides explanations regarding the terms and conditions of the Refinancing Program to banks on a regular basis.

In order to provide support to those borrowers who are not eligible for the Refinancing Program and with a view to prevent social instability among the population, on July 28, 2016 the National Bank, Akimat of Almaty city, banks and public associations entered into the Memorandum of Understanding and Cooperation to address the issues associated with the discharge of obligations by problem mortgage borrowers.

The aforementioned document is focused on assisting borrowers in building a constructive dialogue with a bank. The Memorandum provides for suspension of borrower’s eviction from his/her sole residential property and shall remain in force for one year from the date of its signing within the territory of the country as a whole.

The Memorandum was signed by the “ATF Bank” JSC, “Kazinvestbank” JSC, “ForteBank” JSC, “Eurasian Bank” JSC, “Kazakhstan Mortgage Company” Mortgage Organization” JSC, “Delta Bank” JSC, “Kazkommertsbank” JSC, subsidiary of the “Kazakhstan-Ziraat International Bank” JSC, “Bank “RBK” JSC, as well as various public associations.

Payment of Reimbursements on Deposits of Individuals Opened in the Domestic Currency (the Tenge), in Connection with Transition to a Free Floating Exchange Rate Regime

In 2016, the National Bank continued to implement the Procedure for Payment of Reimbursements on Deposits of Individuals Opened in the Domestic Currency (the Tenge), in Connection with Transition to a Free Floating Exchange Rate Regime drafted based on the Presidential Mandate of the Republic of Kazakhstan.

As part of this effort, in 2016 agreements were made with 28 banks and the “KazPost” JSC about the transfer of reimbursement amounts on deposits to be further credited to bank accounts of individuals.

According to the terms and conditions of the Reimbursement Procedure as well as in line with agreements made with banks, the National Bank transferred the reimbursement amounts in line with registers provided by banks by three tranches made on October 7, November 7 and December 7, 2016. The total amount of paid reimbursements was KZT 53.9 bln., on 191 706 deposits.

Notifications by Financial and Microfinance Organizations about Signing Off their Products

From April 22, 2016, pursuant to the Law of the Republic of Kazakhstan “Regarding Amendments to Some Legislative Acts of the Republic of Kazakhstan on Reducing the Number of Authorization Documents and Simplifying Authorization Procedures”, the authorization-based procedure for granting the National Bank’s approval for the offering of financial products to the financial services consumers was replaced with the notification procedure.

As part of the notification procedure, the National Bank studies and analyzes the terms of financial products and microcredits for their compliance with provisions of the laws of the Republic of Kazakhstan and the absence of terms which prejudice the rights of consumers.

The National Bank drafted and approved the List of financial products in respect of which a financial organization notifies the National Bank, and the Rules of notification about approval of financial products.

In 2016, 200 notices were received by the National Bank, of which: 105 from microfinance organizations, 76 – from banks and 19 – from insurance organizations. In reviewing communications from borrowers of microfinance organizations (“Microfinancial Organization “Pro-Finance” LLP and “Microfinancial Organization “i-credit.kz” LLP), three facts of activities without approval/notification were revealed. Based on the review of communications, these microfinancial organizations were held administratively liable in the form of an imposed penalty.

3.7. Liquidation of the Financial Market Entities

As at January 1, 2017, 2 banks and 3 insurance organizations were undergoing forced liquidation.

The information about settlements with creditors of financial organizations undergoing liquidation is presented in Table 3.7.

Table 3.7

N	Financial Organizations under Liquidation	Percentage of Payouts to Creditors as at January 1, 2017
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Banking Sector		
1.	“Valut-Transit Bank” JSC	51.3% – claims of creditors under the third order of priority (claims of the “Kazakhstan Deposit Insurance Fund” JSC in respect of the amount of payout made (payable) on insured deposits). The percentage of agreement of claims of the “Kazakhstan Deposit Insurance Fund” JSC was recalculated based on additional requirements of the “Kazakhstan Deposit Insurance Fund” JSC (in money terms it is KZT 9.4 bln.).
2.	“Nauryz Bank Kazakhstan” JSC	94.0% – claims of creditors under the third order of priority (claims of individuals on deposits and money transfers, claims of the “Kazakhstan Deposit Insurance Fund” JSC in respect of the amount of payout made (payable) on insured deposits as well as claims on deposits made with the pension assets at the accumulation pension fund). Of which, settlements with individuals account for 89.5%; and settlements with the “Kazakhstan Deposit Insurance Fund” JSC – 100%.
Insurance Sector		
1.	"Altyn Policy" Insurance Company JSC	69.4% – claims of creditors included into the category of extraordinary payouts (in respect of insured events which occurred before the court’s decision about liquidation of an insurance (reinsurance) organization takes legal effect).
2.	“Premier Insurance” JSC	25.0% – claims of creditors included into the category of extraordinary payouts (in respect of insured events which occurred before the court’s decision about liquidation of an insurance (reinsurance) organization takes legal effect).
3.	“EcoPolicy” Insurance Company JSC	Settlements with all creditors of the insurance company have been made in full. Settlements with shareholders of the insurance company are in progress. .

In 2015 amendments to the laws of the Republic of Kazakhstan were made, whereby in case of a forced liquidation of a bank-a member of the mandatory deposit insurance system in the period from January 1, 2007 to January 1, 2012, the entity engaged in mandatory deposit insurance reimburses individuals on their guaranteed deposits in the amount of the deposit balance less interest accrued on the deposit but no more than KZT 5 million; this enabled to continue reimbursements of individual depositors of “Valut-Transit Bank” JSC by the “Kazakhstan Deposit Insurance Fund” JSC in 2016.

In 2016, 3 scheduled inspections of activities of liquidation commissions of banks were conducted.

Section 4. National Bank's Activities

4.1. Currency Regulation and Currency Control

In 2016, the National Bank continued to improve the currency legislation. In connection with Kazakhstan's accession to the World Trade Organization and establishment of the Astana International Financial Center and the Khorgos International Center for Cross-border Cooperation, the need in revision of certain approaches to currency regulation mechanisms had arisen.

As part of adaptation of the currency legislation, it is expected to revise approaches to definition of residency and improve the coverage and recording of cross-border capital movement operations including currency relations among branches of foreign organizations and within the framework of the Astana International Financial Center and the Khorgos International Center for Cross-border Cooperation. Despite the fact that conceptual principles of liberal currency regulation were preserved and the goals of currency control remain unchanged, the volume of amendments to be made requires that a new version of the Law of the Republic of Kazakhstan "On Currency Regulation and Currency Control" is drafted. The drafting of the laws of the Republic of Kazakhstan "On Currency Regulation and Currency Control" (new version) and "On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on the Matters of Currency Regulation and Currency Control" was included into the Law Drafting Plan of the Government of the Republic of Kazakhstan for 2017. In 2016, the National Bank wrote concept papers to the draft laws that were approved by the interagency commission engaged in the law drafting; sessions of the working group and round tables were arranged to discuss conceptual changes to currency legislation with members of the Union of Legal Entities "Financial Institutions' Association of Kazakhstan", with representatives of stakeholder government agencies, organizations, business communities and the union of foreign investors.

Top-priority objectives of the currency regulation still include building up the information base on currency transactions and capital flows as well as analytical monitoring of currency transactions as the basis for the decision-making on economic policy.

With a view to collect statistical information, the existing currency legislation of the Republic of Kazakhstan set requirements for registration or notification of foreign currency operations related to the movement of capital (financial loans, direct investments, commercial credits, and accounts with foreign banks). Registration and notification regimes account for large capital movement operations which provide for the inflow of capital (property, monies) to the Republic of Kazakhstan in the amount exceeding the equivalent of USD 500 000

or the transfer of capital (monies, property transfer) from the Republic of Kazakhstan in the amount exceeding the equivalent of USD 100 000.

As part of registration of large currency operations related to capital movement, in 2016 the National Bank issued 1 661 registration certificates. As part of notification of currency operations related to capital movements, and opening of accounts with foreign banks, in 2016 the National Bank issued 280 certificates of notification.

Exports proceeds are the main source of foreign exchange supply in the domestic foreign exchange market of Kazakhstan, therefore currency legislation provides for the requirement to repatriate proceeds from exports of goods (works, services) and repayment of the advance payment for imports of goods (works, services) unused by a non-resident to the bank accounts with Kazakh banks. The time frame during which the repatriation of currency should be carried out is determined by the terms and conditions of a foreign trade contract. Control over execution of the repatriation requirement is exercised in respect of foreign trade transactions in the amount exceeding the equivalent of USD 50 000, through the record registration of a foreign trade contract with a bank that provides services to a resident involved in a foreign trade transaction.

With a view to determine the completeness of coverage of foreign trade operations by the currency control, the analysis was performed on the basis of data for 2015; results of the analysis showed that the existing threshold for control is optimal in terms of the operations coverage, interests of businesses and costs incurred by the agents of currency control for the administration of such control.

Exports-imports currency control is exercised on the basis of procedures of record registration of foreign trade contracts and electronic exchange of information for the purposes of control over how the repatriation requirements are met, between authorized banks, the National Bank and the state revenue collection authority – the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan.

In 2016, with a view to integrate information systems for the exchange of data required for effective currency control, the State Revenue Committee of the Ministry of Finance, the National Bank and the authorized banks resumed their information exchange regarding movement of goods across the border of the Eurasian Economic Union; also, the mechanism of electronic exchange of information regarding movement of goods within the Union was introduced.

Also, in 2016 a set of measures aimed to increase efficiency of currency regulation and control was developed and submitted to the Economic Policy Council of the Republic of Kazakhstan, it includes:

- 1) measures aimed to increase efficiency and strengthen control on execution of currency repatriation requirements ; with this view, the analysis of data on exports-imports control was performed in order to identify possible channels of removal of capital via foreign trade operations;

- 2) measures aimed to limit the demand for foreign currency in the domestic foreign exchange market on the part of resident legal entities.

Based on the work performed, proposals were made to strengthen control over compliance by residents with the currency repatriation requirement; such proposals will help prevent removal of capital and were reviewed and approved by the President. The proposed measures are expected to be implemented within the framework of the Law of the Republic of Kazakhstan “On Currency Regulation and Currency Control” which is being drafted in a new version.

According to the Anti-Crisis Action Plan of the Government and the National Bank to Ensure Economic and Social Stability for 2016-2018, the National Bank drafted amendments so that the requirements to indicate the price of a commodity (work and service) in the domestic currency within the territory of Kazakhstan are formalized in legislation. Such amendments aimed to dedollarize the economy are included into the draft law of the Republic of Kazakhstan “On Amendments and Additions to Some Legislative Acts of the Republic of Kazakhstan on the Matters of Advertizing”.

In the area of currency regulation, the National Bank’s license is required only to carry out activities related to cash foreign exchange transactions (activities of exchange offices).

In 2016, the National Bank carried out activities as part of the Plan of Additional Urgent Anti-Crisis Measures for 2016 with regard to increasing transparency of operations of non-bank exchange offices and extending the coverage of banking standards to their activities.

With a view to define further areas in regulation of foreign cash market, the analysis was performed regarding arrangement of exchange operations with foreign cash including operation volumes, location of exchange offices, specifics by market entities; a number of meetings with representatives of the market were held. Based on the work performed, main approaches to improving regulation of this type of activities for the coming period were determined.

In 2016, as part of the licensing of exchange operations with foreign cash, 48 licenses were issued to new authorized organizations, and 35 licenses were surrendered on a voluntary basis.

As of January 1, 2017, 2 895 exchange offices were operating within the Republic of Kazakhstan, including 1 841 bank exchange offices, 972 exchange offices of authorized organizations (non-bank legal entities) and 82 exchange offices of the “KazPost” JSC.

During 2016, a total number of exchange offices decreased by 84, while the number of exchange offices of authorized banks decreased by 138, and the number of exchange offices of authorized organizations and the “KazPost” JSC increased by 24 and 30 exchange offices, respectively.

In 2016, efforts to detect and preclude administrative violations of the currency legislation were continued, 1 357 cases of administrative offence were initiated during the year:

1) penalties were imposed in respect of 1 255 cases of administrative offence, of which 510 penalties were in the form of warnings; in respect of 745 cases of administrative offence the amount of penalties imposed by the National Bank (469 cases) and courts (276 cases) exceeded KZT 327 mln.;

- 2) proceedings on 37 cases of administrative offence were terminated;
- 3) 65 cases are being under review (as of January 1, 2017).

79 restricted remedial actions were taken in respect of authorized banks and authorized organizations for violations of currency legislation of the Republic of Kazakhstan.

Inspections on currency control issues are carried out on the basis of risk-based approach. In 2016, the National Bank conducted 293 inspections regarding compliance with currency legislation of the Republic of Kazakhstan, of which 265 entities subject to inspection were identified on the basis of risk assessment.

4.2. Management of the National Bank's Gold and Foreign Currency Assets

The total volume of gold and foreign exchange reserves of the National Bank at the end of 2016 amounted to USD 29.5 bln., which exceeded the corresponding indicator for 2015 by USD 1.7 bln. or 6.0%.

The increase in gold and foreign exchange reserves in 2016 was due to the increased gold prices in the global markets, by net purchases of foreign exchange by the National Bank in the foreign exchange market, net purchases of gold in the domestic market within the framework of the government's priority right to buy refined gold from domestic producers; conversion and reconversion operations of the National Fund's assets.

World gold prices, according to London Bullion Market Association, increased by 9.1% from USD 1 062.3 per oz as of December 31, 2015 to USD 1 159.1 per oz as of December 30, 2016.

In 2016, the volume of net purchases of gold in the domestic market within the framework of the government's exercising of its priority right amounted to 1 160 thous. oz.

Thus, based on operations conducted by the National Bank, net gold and foreign currency reserves (excluding closing turnovers) during 2016 increased by USD 2.0 bln. or by 7.5% and amounted to USD 29.0 bln.

Within the framework of gold and foreign currency asset management, the National Bank exercised control over compliance with requirements of the Investment Strategy for Gold and Foreign Exchange Assets Management on a daily basis. Also, the return on gold and foreign exchange assets of the National Bank was calculated on a daily basis.

During 2016, amendments were made to the Investment Strategy for Gold and Foreign Exchange Assets Management regarding improvement of the risk management process, expansion of investment opportunities as a part of the strategic portfolio, improvement of criteria for monitoring and controlling limitations provided in the Investment Strategy.

Performance Results of the National Bank's Gold and Foreign Exchange Asset Management

At the year-end 2016, the market value of the investment portfolio of gold and foreign exchange assets amounted USD 4.1 bln. In 2016, the return of the

investment portfolio expressed in terms of the currency basket was 0.845%, and with the return of the benchmark portfolio of 0.665% excess returns made up 18 basis points. The return of the investment portfolio expressed in the US Dollars accounted for (-)0.956%, with the return of the benchmark portfolio of (-)1.132% excess returns made up 18 basis points.

At the end-2016, allocation of assets in the investment portfolio by types of instruments had the following structure: cash and its equivalents – 13.8%, government securities – 67.5%, agency securities – 11.5%, and corporate securities – 7.2%. Allocation of assets of the investment portfolio based on the yield curve had the following structure: less than 1 year – 42.1%, 1-2 years – 31.8%, 2-3 years – 21.3%, and over 3 years – 4.8%.

During 2016, the market value of the strategic portfolio of gold and foreign exchange assets changed from USD 2.6 bln. to USD 3.0 bln. The return of the strategic portfolio in 2016 accounted for 3.2%.

With a view to diversify gold and foreign currency exchange their medium- and long-term returns, in 2016 resources worth USD 350 mln. were transferred from the liquidity portfolio to the strategic portfolio. Out of those, USD 230 mln. were channeled to build up the portfolio of the Global Investment-Grade Corporate Bond Mandate type, and USD 120 mln. – for the Emerging Markets Government Securities Mandate type.

During 2016, the market value of the liquidity portfolio of gold and foreign exchange assets decreased from USD 12.2 bln. to USD 10.5 bln. In 2016, the return on the liquidity portfolio made up 1.18%.

The liquidity portfolio of gold and foreign exchange assets is held for the purpose of the monetary policy implementation, for maintaining a high level of liquidity as well as for servicing government's external debt. This portfolio is not included in the evaluation of returns of portfolios of gold and foreign exchange assets and it is not benchmarked.

The market value of the alternative instruments portfolio of gold and foreign exchange assets managed by the "National Investment Corporation of the National Bank of Kazakhstan" JSC had increased during 2016 from USD 799.0 mln. to USD 810.9 mln. During 2016, the returns of this portfolio accounted for 1.49%. The alternative instruments portfolio is held for the purpose of increasing returns on gold and foreign exchange assets in the long term; assets in this portfolio can be invested in such areas as private capital, hedge funds, funds of funds, real estate, infrastructure and equities.

During 2016, the market value of the emerging markets portfolio increased from CNY 0.6 bln., which is equivalent to USD 99.7 mln., to CNY 1.0 bln., which is equivalent to USD 144.7 mln. The increase in the volume of resources is caused by the transfer of assets of USD 49.8 mln. from the liquidity portfolio as part of diversification of gold and foreign exchange assets. During 2016, the return of the emerging markets portfolio expressed in its own currency amounted 1.86%.

According to the market estimate, during 2016 the value of gold portfolio increased from USD 7.6 bln. to USD 9.6 bln.

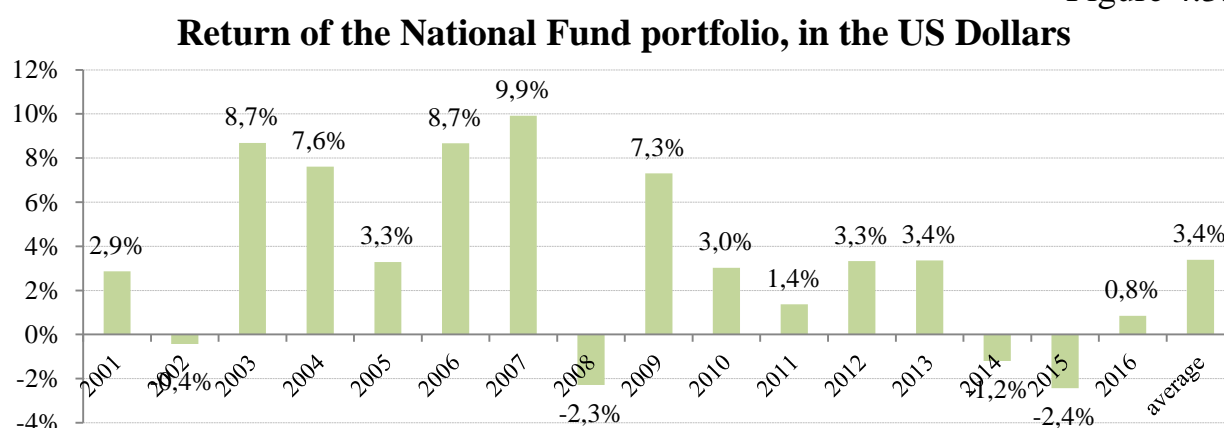
4.3. National (Oil) Fund Management

At end-2016, the total market value of the National Fund's portfolio amounted to USD 64.2 bln., including foreign currency portfolio (95.4%) – USD 61.2 bln. and tenge portfolio which includes bonds of the “Samruk_Kazyna” National Welfare Fund” JSC, “National Management Holding Company “KazAgro” JSC and “National Management Holding Company “Baiterek” JSC – in the equivalent of USD 2.6 bln.¹³, and the balance of the tenge account (0.6%) – USD 384.6 mln. The market values of the stabilization and savings portfolios within the foreign currency portfolio of the National Fund equaled USD 15.2 bln. (24.8%) and USD 46.1 bln. (75.2%), respectively. The market value of securities and other financial instruments within the foreign currency portfolio of the National Fund is based on the data of the global custodian.

According to the global custodian, in 2016 an investment income (realized and unrealized) calculated in base currency – US Dollars was generated, which amounted to USD 594.2 mln.

The return on the National Fund's portfolio in 2016 accounted for 0.84%. Return of the National Fund since inception till December 31, 2016 made up 68.04%, which accounts for 3.39% in annual terms (Figure 4.3.1). The return was calculated in the base currency of the National Fund – the US Dollars.

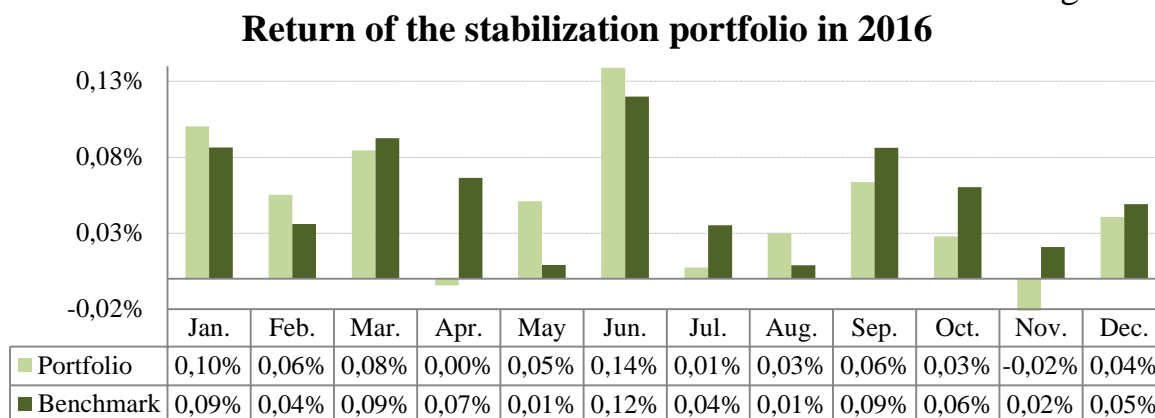
Figure 4.3.1



In 2016, assets of the stabilization portfolio under internal management were invested in the money market instruments and fixed income securities, mainly the US Treasury securities. In 2016, the return of the stabilization portfolio was 0.576%, during the same period the return of the benchmark portfolio (Merrill Lynch 6-month US Treasury Bill Index) accounted for 0.673%. Thus, in 2016 negative excess returns of (-)0.10% were received as a result of asset management of the stabilization portfolio (Figure 4.3.2).

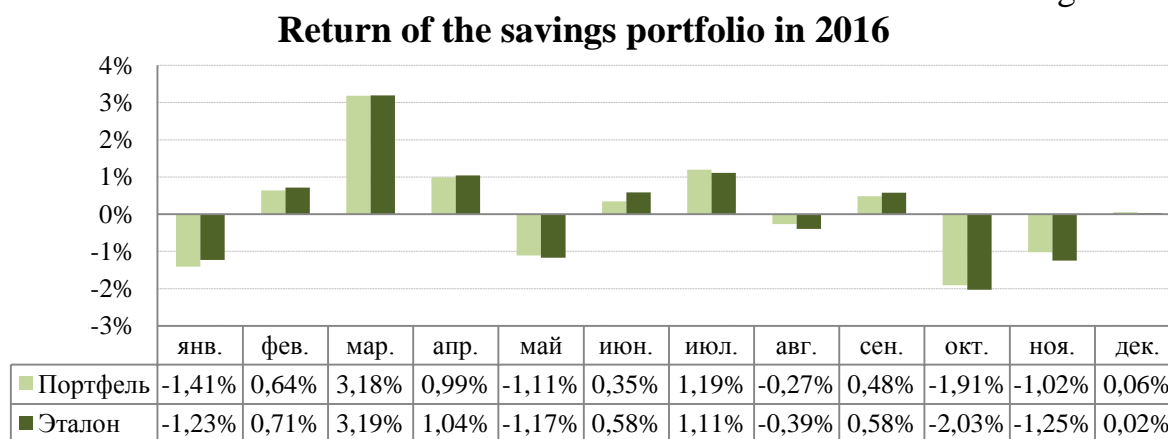
¹³ At the rate of 1 USD = KZT 333.29

Figure 4.3.2



In 2016, the return of the savings portfolio was 1.075%, the return of the savings portfolio consisting of: 80% – composite bond index (45% – Merrill Lynch US Treasuries; 20% – All Euro Government Index, DE, FR, NL, AT, LU, FI; 10% – Merrill Lynch UK Gilts; 10% – Merrill Lynch Japan Governments; 5% – Merrill Lynch Australian Governments; 5% – Merrill Lynch Canadian Governments; 5% – Merrill Lynch South Korean Government Index) and 20% – developed markets equities index MSCI World), accounted for 1.072% (Figure 4.3.3). Thus, positive excess returns of the savings portfolio of 0.003% were generated.

Figure 4.3.3



Portfolio
Benchmark

Assets in the savings portfolio for the Global Fixed Income Mandate type are managed both by the National Bank itself and by external managers. In 2016, assets in the savings portfolio for this type of mandate managed by the National Bank accounted for 72.4% whereas the remaining 27.6% of assets were transferred to external managers.

In 2016, the return from the management of the bond sub-portfolio accounted for (-)0.62%. The return of the benchmark portfolio of this sub-portfolio

accounted for (-)0.71%. Thus, management of this type of mandate resulted in excess returns of 0.09%.

Assets in the savings portfolio for the Global Equities Mandate type are managed by four external managers. The return from the asset management for this type of mandate was 7.92%, whereas the return of the benchmark portfolio was 8.17%. Thus, excess returns generated as a result of asset management for this type of mandate accounted for (-)0.25%.

At present, assets in the savings portfolio for the Global Tactical Asset Allocation mandate are managed by one external manager. The return from the asset management in the savings portfolio for this type of mandate was 0.54%, whereas the return of the benchmark portfolio was 1.07%.

4.4. UAPF's Pension Assets Management

At January 1, 2017, the total volume of the UAPF's pension assets under management of the National Bank amounted to KZT 6.7 trln. (99.9% of the volume of pension accumulations), having increased by 14.6% during the year of 2016.

The structure of the UAPF's pension assets managed by the National Bank was represented by government securities of the Republic of Kazakhstan, including reverse repo operations, in the amount of KZT 2.9 trln. (43.6%), securities of Kazakhstani issuers – KZT 2.6 trln. (38.3%), securities of foreign issuers – KZT 0.6 trln. (9.6%), deposits with Kazakh banks – KZT 0.4 trln. (6.0%), money on investment accounts – KZT 0.2 trln. (2.3%), and other assets – KZT 0.02 trln. (0.2%).

The weight of cash and financial instruments denominated in tenge accounted for 77.0% or KZT 5.1 trln., and those denominated in foreign currency – 23.0% or equivalent to KZT 1.5 trln.

From 2016, the UAPF's pension assets are invested in the areas approved by the Council of the National Fund Management. Taking into account the areas approved for the year of 2016, pension assets have been invested as follows:

Government securities of the Republic of Kazakhstan were purchased to finance the national budget deficit in the amount of KZT 170.0 bln. with return equal to the annual inflation rate and a premium of 0.1%;

Foreign currency was purchased to be reinvested in foreign markets, in the amount of KZT 500.0 bln.;

Conditional debt securities of the quasi-government sector were purchased for the project financing in the real sector of the economy, in the amount of KZT 378.4 bln. with the weighted average annual yield of 15.1%;

Conditional bank deposits for SME financing, in the amount of KZT 112.8 bln. with the weighted average annual yield of 15.5%.

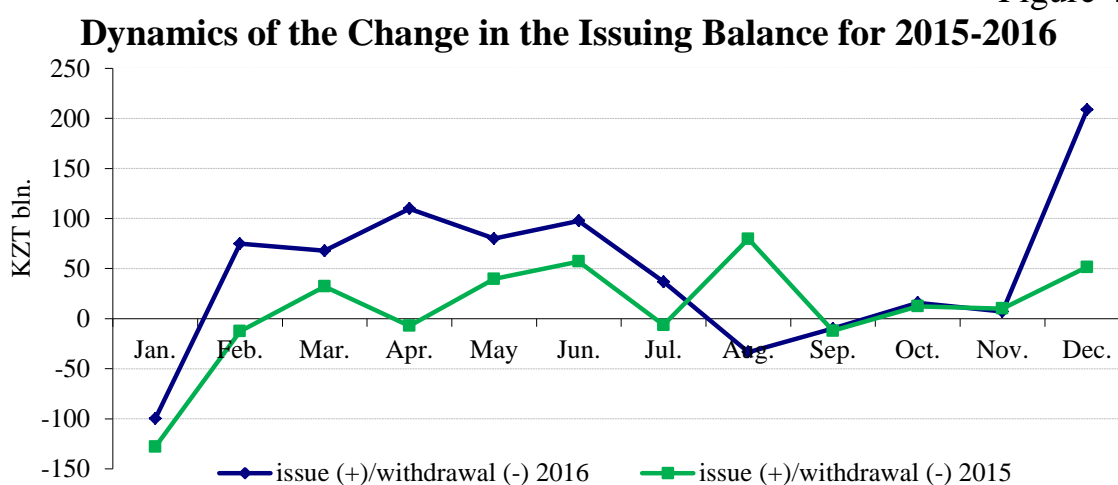
Investment of pension assets in the above areas was made on a repayable basis at market rates.

As of the end of year 2016, the investment return on the UAPF's assets amounted to KZT 531.0 bln. The return on pension assets distributed to customer (beneficiary) accounts made up 7.95% in 2016.

4.5. Issuing Operations and Cash Circulation

During 2016, KZT 3 897.9 bln. were issued into circulation from the National Bank's reserve funds, which is by KZT 773.6 bln. (by 24.8%) greater than the issue of cash into circulation in 2015. The volume of cash withdrawn from circulation during the same period decreased versus that of 2015 by KZT 331.4 bln. (by 11.0%) and amounted to KZT 3 342.6 bln. Thus, there was a positive issuing balance of (+)KZT 555.3 bln. (Figure 4.5.1).

Figure 4.5.1



In 2016, the issuing balance was forming up against the increased cash turnover of banks¹⁴. In general, the rates at which the debit section of banks' cash turnover was growing (the growth of 18.4%) exceeded the rates of growth in receipts which accounted for 14.4%; this ultimately led to the increase in the positive value of the issuing balance.

If in 2015, the issuing balance was mainly influenced by devaluation expectations, the value of this indicator in 2016 was driven by the National Bank's measures aimed to decrease the level of dollarization of the economy and to increase confidence in the domestic currency.

Cash Circulation

During 2016, the volume of cash receipts to the bank cash departments amounted to KZT 22.7 trln., having increased by 14.4% versus 2015 (2,9 trln.). The volume of cash payouts increased by 18.4% (KZT 3.5 trln.) and amounted to KZT 22.7 trln. (Table 4.5.1).

Despite the growth in the credit and debit sections of cash turnovers, receipts from the foreign exchange sale decreased significantly – by 22.8% (KZT 853.8

¹⁴ According to the data in the Cash Turnovers Report of banks and organizations engaged in certain types of banking operations (No. 10-SB)

bln.). The payouts for payments for goods, services and works also decreased – by 10.4% (KZT 136.2 bln.).

In addition, receipts to the bank cash departments for loan repayments decreased by 10.2% (KZT 44.0 bln.).

Table 4.5.1

Cash Flows in Banks

Cash Flows through Cash Departments of Banks	During 2016 (bln.)	During 2015 (bln.)	Change over the Period	
			bln.	%
Receipts to the Bank Cash Departments	22 720.5	19 861.6	2 858.9	14.4
from sale of goods, services and works	5 776.7	4 562.5	1 214.2	26.6
to deposit accounts of individuals	5 641.9	3 909.0	1 732.9	44.3
from foreign exchange sales	2 883.9	3 737.7	-853.8	-22.8
from individuals on one-time transfers	224.0	192.4	31.6	16.4
loan repayments	385.2	429.2	-44.0	-10.2
other receipts	7 808.8	7 030.8	778.0	11.1
Payouts from the Bank Cash Departments	22 743.3	19 209.4	3 533.9	18.4
payments for goods, services and works	1 177.9	1 314.1	-136.2	-10.4
from deposit accounts of individuals	4 757.1	3 720.4	1 036.8	27.9
for foreign exchange purchases	1 810.7	1 387.7	423.1	30.5
for one-time transfers	76.5	64.2	12.3	19.2
for wages, retirement benefits and allowances	797.3	826.8	-29.5	-3.6
to support ATMs	9 452.6	8 192.3	1 260.3	15.4
loans to individuals and corporate entities	322.8	295.1	27.7	9.4
other payouts	4 348.4	3 409.0	939.4	27.6

The cash return ratio to the bank cash departments was lower than that in 2015 and made up 99.9%.

Banknotes and Coins

In 2016, the following collector coins and banknotes were issued into circulation:

- 1) a banknote of the 10 000 tenge denomination dedicated to the the 25th anniversary of Independence of the Republic of Kazakhstan;
- 2) coins from nickel-silver alloy of 50 tenge denomination “Petropavl” from the “Towns of Kazakhstan” Series;
- 3) coins from nickel-silver alloy of the 100 tenge denomination:
 - “A Korean Tale” (Legend about Tangun) from the “Tales of the Kazakhstan Nation” Series;
 - “Abylkhair Khan” from the “Portraits on the Banknotes” Series;
 - “Kyrkynan shygaru” (40 days from a child’s birth) from the “Rituals, National Games of Kazakhstan” Series;
 - “150 years of A. Bukeikhanov from the “Outstanding Events and People” Series;
 - “100 years of T.Zhangeldin from the “Outstanding Events and People” Series;

- “100 years of Kh.Yergali” from the “Outstanding Events and People” Series;
- 4) silver coins of the 100 tenge denomination:
 - “Horseshoe” from the “Magic Symbols” Series;
 - “Women Boxing World Championship. Astana 2016”;
 - “Callisthenics. Olympic Games of 2016”;
 - “Happy Birthday” from the “A Coin as a Gift” Series;
- 5) silver coins of the 500 tenge denomination:
 - “The Year of Rooster” from the “Oriental Calendar” Series;
 - “Abylkhair Khan” from the “Portraits on the Banknotes” Series;
 - “Saxaul” from the “Fauna and Flora of Kazakhstan” Series;
 - “A Korean Tale” (Legend about Tangun) from the “Tales of the Kazakhstan Nation” Series;
 - “Kultegin” (a monument to the Turkic written language) from the “Treasures of the Steppe” Series;
 - “Kyrkynan shygaru” (40 days from a child’s birth) from the “Rituals, National Games of Kazakhstan” Series;
 - “Love” from the “From Heart to Heart” Series;
 - “Kazakh Waltz” from the “Fine Arts of Kazakhstan” Series;
 - “25 years of Kazakhstan’s Independence”;
- 5) a silver coin of the 5 000 tenge denomination “25 years of Kazakhstan’s Independence”;
- 6) gold coins of the 500 tenge denomination:
 - “Abylkhair Khan” from the “Portraits on the Banknotes” Series;
 - “The Year of Rooster” from the “Oriental Calendar” Series.

A banknote of the 20 000 tenge denomination that was issued into circulation on December 1, 2015, was pronounced as the best regional banknote of 2015 in March 2016 on the High Security Printing Europe Conference (held in Bucharest, Romania); in May 2016, at the International Banknote-2016 Conference (Washington D.C., USA) this banknote were among the three finalists in the “Excellence in Currency Technical Awards” category.

On September 22, 2016, Moscow city hosted an awarding ceremony of the Tenth International Commemorative Coins Contest “Coin Constellation-2016”. The National Bank and the National Bank’s Mint were awarded a special prize for a series of coins issued in 2015.

As part of celebrations of the 25th anniversary of Independence of the Republic of Kazakhstan, the National Bank participated in conferences dedicated to the domestic currency – the tenge, with the exposition of banknotes and coins of the domestic currency in Astana city: on October 12, 2016 at the National Museum of the Republic of Kazakhstan, and on November 15, 2016 at the Palace of Peace and Reconciliation.

4.6. Regulatory Activities

In 2016, the National Bank continued to make efforts to fine-tune regulations which regulate such important aspects as operation of the financial

market and financial organizations; currency exchange regulation and currency exchange control; payments and payment systems; protection of rights of the financial service consumers; government statistics; promoting strengthening of validity and ensuring consistency of the National Bank's regulations to the laws of the Republic of Kazakhstan; proper and uniform application of laws by the National Bank and the financial market entities; to protect rights and lawful interests of the National Bank, its business units and the staff; to promote legal awareness and training on legal matters within the National Bank's system; to coordinate the monitoring work in respect of by-laws and regulations of the Republic of Kazakhstan and analysis of the policy-making activities of the National Bank.

In 2016, the National Bank drafted the following laws that were passed by the Parliament of the Republic of Kazakhstan:

of July 26, 2016 "On payments and Payment Systems";

of July 26, 2016 "Regarding Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to Payments and Payment Systems".

Throughout 2016, the National Bank provided legal support in the Parliament of the Republic of Kazakhstan to the laws of the Republic of Kazakhstan "On Collector Business", "Regarding Amendments to Some Legislative Acts of the Republic of Kazakhstan on Matters Pertinent to the Collector Business".

The Law Drafting Plan of the Government of the Republic of Kazakhstan for 2017 envisages that the National Bank will prepare the following draft laws:

"On Currency Exchange Regulation and Currency Control";

"Regarding Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to Currency Exchange Regulation and Currency Control";

"Regarding Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to Insurance and Insurance Business".

In 2016, the National Bank drafted the following legislature:

Presidential Edicts of the Republic of Kazakhstan:

of June 9, 2016 No. 276 "On Changes and a Supplement to the Presidential Edict of the Republic of Kazakhstan as dated December 31, 2003 No. 1271 "On Approval of the Statute and Organizational Structure of the National Bank of the Republic of Kazakhstan";

of June 15, 2016 No. 282 "On Approval of the Report on Building Up and Using the National Fund of the Republic of Kazakhstan for the Year 2015";

"On a Change to the Presidential Edict of the Republic of Kazakhstan as dated February 7, 2001 No. 549 "On Some Matters Pertinent to Functioning of the Domestic Currency of the Republic of Kazakhstan";

"On Changes to the Presidential Edict of the Republic of Kazakhstan as dated May 19, 2015 No. 24 "About the Astana International Financial Center";

Governmental Decree of the Republic of Kazakhstan as dated September 8, 2016 No. 530 "On Changes and a Supplement to the Governmental Decree of the

Republic of Kazakhstan as dated May 30, 2015 No. 393 “On Approval of the Joint Action Plan of the Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan to Establish and Develop the Astana International Financial Center for the Long-Term Horizon”;

Implementing Order of the Prime Minister of the Republic of Kazakhstan as dated August 20, 2016 No. 68-r “On Measures for Implementation of the Laws of the Republic of Kazakhstan as dated July 26, 2016 “On Payments and Payment Systems” and “Regarding Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to Payments and Payment Systems”.

The National Bank adopted 162 Resolutions of the National Bank’s Board, 141 of which were registered with the Ministry of Justice of the Republic of Kazakhstan (Annex 1 to Section 4.6).

In addition, in 2016 the National Bank, within its mandate, signed off and provided its opinions on 80 concepts of draft laws, 150 drafts of by-laws, of which: Presidential Edicts – 12; Governmental Decrees – 94; Implementing Orders of the Prime-Minister – 10; orders, resolutions of government authorities – 34.

In 2016, the National Bank continued to further fine-tune the regulatory legal acts and methodical recommendations regarding accounting and financial reporting for financial organizations, special purpose vehicles, Islamic special purpose vehicles, microfinance organizations and the Development Bank of Kazakhstan in line with requirements of International Financial Reporting Standards (IFRS) and changes in the laws of the Republic of Kazakhstan.

Formats for financial statements of financial organizations were refined and the procedure for correction of errors in financial statements submitted earlier in case of their detection by financial organizations themselves was changed.

In connection with changes made to the Law of the Republic of Kazakhstan as dated July 1, 2003 No. 446-II “On Compulsory insurance of civil liability of vehicle owners”, the procedure for recording operations of direct settlement by an insurance organization was changed.

4.7. Communications Policy

The communications policy of the National Bank is focused on establishing balanced and proactive communications with the explanation of the regulator’s actions as well as on providing a dialogue with all means convenient and available for target audiences.

In 2016, the Short-Term Communication and Information Plan was designed whereby information about the National Bank’s activities was disseminated via coverage and organization of events (press conferences, briefings, interviews) with participation of the National Bank’s top officials and the staff, preparation of information materials for the mass media, updating the content of the National Bank’s Internet-resource, social media and new communication technologies, implementation of special projects.

In 2016, on-the-spot visits of the National Bank's Governor to different regions of the country were put into practice; as part of these visits, meetings were held with the regional mass media and representatives of the financial sector and round table discussions with the mass media took place to spell out the guidelines of the policy implemented by the National Bank, the current situation in the financial market, as well as legislative and other initiatives of the National Bank.

In 2016, the following activities were organized: 12 press conferences and briefings, 2 on-line conferences, meeting "without ties" with the National Bank's Governor participating, a number of briefings with participation of the National Bank's Deputy Governors. In July 2016, awareness-building work via official account services of the National Bank in Facebook, Twitter and Instagram was initiated, where materials and video content of an awareness-raising nature are being posted. The National Bank's account in Facebook has 3 200 followers, at end-2016 there were 311 tweets in the Twitter account in the Kazakh and Russian languages. Apart from those, on November 15, 2016 a mobile application "NBK Online" was launched, which is intended to provide the real-time interaction of the population with the National Bank on the matters pertinent to the regulator's activities and to protection of rights of the financial services consumers. At end-2016, 2 713 users had been registered with the mobile application, 751 questions about various aspects of the National Bank's activities were received.

With a view to strengthen educational background of children, in October-December 2016 the nation-wide contest for the best pictures of banknotes and coins of the domestic currency – the tenge – was held; also, a press tour to the Center for Cash Operations and Safekeeping of Valuables was arranged.

As part of celebrations of the 25 years of Independence of the Republic of Kazakhstan and the National Currency Day a large scale of a public awareness-raising effort was made, including video clips about the issue into circulation of a jubilee banknote and commemorative silver coins dedicated to the 25th anniversary of Independence of the Republic of Kazakhstan that were posted in social networks on all National Bank's official accounts. Within the framework of holding the conference "Tenge as the Currency of Independent Kazakhstan" and "25 years of Independence of the Republic of Kazakhstan: the Domestic Currency", a series of video clips was prepared accompanied with the comments of experts.

In 2016, about 350 public information notices, press releases and other information materials were prepared and provided to the mass media, over 370 of inquiries from the mass media were responded, about 20 interviews for Kazakhstani and 7 interviews for foreign television, printed media and Internet-media were arranged with the National Bank's officials participating. In a print publications The "Egemen Kazakstan" and "Kazakhstanskaya Pravda" 14 special pages were provided to the National Bank, the "Kapital.kz" launched a special column "The National Bank answers to questions from the users", and 112 information notices were posted on the National Bank's Internet-resource. The nation-wide mass media published 140 regulatory acts approved by resolutions of the National Bank's Board. The National Bank staff provided comments for the TV media regarding main activities of the National Bank on a regular basis. With a

purpose to discuss and to clarify issues related to protection of rights of the financial services consumers, investment of pension assets and other aspects of the financial sector operation, in 2016 seven meetings with representatives of the mass media were held.

With a view to strengthen the interaction with the expert community, in 2016 six meetings with representatives of the financial market were arranged where the current monetary policy guidelines were discussed.

4.8. International Cooperation

In 2016, cooperation with international financial organizations was carried out as part of implementation of framework partnership agreements between the Government and international financial institutions as well as as part of communication with the IMF.

In February 2016, Kazakhstan's quota in the IMF equity was raised to SDR 1.2 bln.¹⁵. The increased quota, in the first instance, will strengthen Kazakhstan's voting power in the IMF and will provide more opportunities in the medium term for Kazakhstan to entrench at the Board of Directors; second, it will enable wagering on the IMF credit facility to be a three-fold of the quota and on the increased technical assistance and will also play a positive role in improving Kazakhstan's sovereign rating.

On May 24, 2016, the IMF President Christine Lagarde visited Kazakhstan as part of the IMF regional conference timed to coincide with the Astana Economic Forum. Mr. Lagarde met with the President of Kazakhstan N.Nazarbayev, Prime Minister of the Republic of Kazakhstan K. Massimov and other members of the Government in charge of the economic block, the National Bank's Governor D.Akishev. The IMF Managing Director took part in the IMF regional conference and the press conference for the foreign and Kazakhstani mass media.

On July 11-13, 2016, a regular meeting of the IMF and World Bank Swiss Constituency took place in Almaty. The event included a workshop entitled "Current Challenges in Central Asia and the Caucasus" and the meeting of the IMF and World Bank Swiss Constituency itself. Apart from executive officials from the constituency, the event was attended by representatives of central banks and government authorities of Azerbaijan, Kyrgyzstan, Poland, Serbia, Tajikistan, Turkmenistan, Uzbekistan and Switzerland.

In 2016, visits of the National Bank's top management to Washington D.C. were organized where they took part in the meetings of the IMF's Board of Governors and the World Bank Group.

In 2016, the IMF provided two blocks of technical assistance: "National Bank of Kazakhstan Strengthening Monetary Policy Design and Implementation" and "Asset Quality Review and Crisis Management Planning" aimed to effectively implement the monetary policy.

¹⁵ SDR (Special Drawing Rights) are supplementary foreign-exchange reserve assets and a legal tender maintained by the International Monetary Fund and having a non-cash form only as records on bank accounts

In 2016, the World Bank, within the framework of joint economic research program for 2016 between the Government and the World Bank, provided technical assistance in increasing stability of Kazakhstan's financial sector of USD 0.4 mln.

Cooperation within the CIS and EAEU

In 2016, central (national) banks of the CIS member states made effort to harmonize the legislation regarding regulation of accounting, audit and training of specialists in these areas; condition for entering into the regulated market (the stock exchange and multilateral trading systems) for securities issuers of the CIS member states within the territory of other CIS countries; activities of joint-stock companies regarding the information disclosure with a view to protect rights of investors and shareholders; the procedure for carrying out prudential supervision in the securities market.

As part of strengthening cooperation in developing the insurance services market, the meeting of the Interstate Coordination Committee of Insurance Supervision Heads of the CIS member-states was held in Almaty. In the course of the meeting, the current state of insurance markets in the CIS member-states as well as key problems and strategic areas of the insurance sector development till 2020 were addressed. Also, the discussion included the fundamentals for implementation of the electronic insurance, the use of electronic work flow among insurers, motor civil liability insurance, and situation in the area of home insurance. In 2016, the effort to build the information data base of regulations governing the insurance business in the CIS member-states was continued.

In 2016, the National Bank took part in drafting the following EAEU documents: the Agreement on providing access for brokers and dealers of one of the EAEU member-states to stock exchanges (trades organizers) of other member states; Agreement on coordinated approaches to regulation of currency exchange relationship and on adopting liberalization measures; Agreement on harmonization of legislation of the EAEU member-states in the sphere of financial market; Agreement on communication between the EAEU member-states regarding the exchange of information within credit histories; Treaty on retirement security of employees of the EAEU member-states; the draft of Guiding Principles of macroeconomic policies of the EAEU member-states for 2016-2017. The National Bank also participated in preparing materials for sessions of the Collegium and the Council with the Eurasian Economic Commission, Eurasian Interstate Council, and Supreme Eurasian Economic Council.

In 2016, the National Bank completed intra-governmental procedures required to bring the Information Sharing Agreement (which also includes confidential information, in the financial sphere with a view to create conditions in the financial markets to ensure free capital movement) in effect; it also completed intra-governmental procedures required to sign the draft Protocol of Accession to the Agreement by the Republic of Armenia.

In 2016, the 12th Session of the Advisory Board on foreign exchange policy of the central (national) banks of the EAEU member-states took place in Almaty where heads of the central (national) banks of the EAEU member-states were

participating. In addition, a regular session of the Financial Markets Advisory Board with the Eurasian Economic Commission took place in Almaty in 2016.

Throughout 2016, effort was also made to ensure accession of the Central Bank of the Republic of Armenia to the Eurasian Board of central (national) banks and to make changes to the documents which had been earlier adopted within the Board of Governors of the central (national) banks of the EurAsEC member-states, taking into account the Treaty on Termination of Activities by the EurAsEC as dated December 10, 2014. The outcome of this effort is the decision about the National Bank's exit from a number of agreements which became irrelevant as well as the signing of the following documents in 2016: Protocol of Accession of the Central Bank of the Republic of Armenia to the Eurasian Board of central (national) banks; Protocol of Amendments to the Memorandum between central (national) banks of the EurAsEC member countries on Recommendations related to ensuring transparency in the market of services on money transfers and the consumer protection for the credit organizations which make money transfers abroad at the instruction of individuals without opening a bank account as dated October 18, 2013; Protocol of Amendments to the Agreement on cooperation in the training of the staff of central (national) banks of the EurAsEC member-states as dated March 12, 2004.

In 2016, the National Bank took part in the work of two sessions of the Eurasian Board of central (national) banks.

Cooperation with Foreign Central Banks

As part of bilateral cooperation with foreign central banks, in 2016 the National Bank did the following work.

On June 16-18, 2016, the 35th session of the Central Bank Governors Club of Central Asia, the Black Sea Region and the Balkans was held in Almaty where the central bank representatives from eighteen countries participated. The issues discussed at the session were related to application of non-traditional monetary policy measures, to the extent of their relevance at present as well as to the possibility of their further use given the situation in the global financial and economic sphere.

On August 23, 2016, within the framework of the state visit of Kazakhstan's President to the Republic of Poland, the Memorandum of Understanding between the National Bank and the Polish Financial Supervision Authority was signed. The National Bank initiated supplements to a number of by-laws of the Republic of Kazakhstan, whereby the Warsaw Stock Exchange was included into the lists of international exchanges acknowledged by the National Bank.

On August 29, 2016, the meeting of the National Bank's Governor with the Governor of the Qatar Central Bank took place in Almaty. Other Central Bank's representatives, heads of the Qatar Financial Center and the credit bureau also took part in the meeting. In the course of the meeting, the following topics were discussed: the current financial situation and priorities in the sphere of the monetary policy in both countries, cooperation in the banking sphere, and development of Islamic finance in Kazakhstan; the parties also discussed the progress in implementation of earlier arrangements.

On April 11, 2016 during the visit of Kazakhstan's President to the Islamic Republic of Iran, the Memorandum of Understanding between the National Bank and the Central Bank of the Islamic Republic of Iran was signed. On December 22, 2016 in Astana, during the official visit of the President of the Islamic Republic of Iran, the Memorandum for Facilitation of Bilateral Trade was signed between the National Bank and the Central Bank of the Islamic Republic of Iran. The Memorandum enshrines the preferential nature of commercial banking instruments and initiatives in the development of trade-related reciprocal payments between the two countries and also provides for further cooperation in promoting credit facilities, establishing and developing correspondent relations between commercial banks of Kazakhstan and Iran.

As part of the Kazakhstani-Chinese Sub-committee on financial cooperation, the National Bank made effort to broaden the use of domestic currencies of Kazakhstan and China for bilateral settlements in mutual trade and investments, to develop cooperation in the area of supervision of the financial market entities, to reinforce relations between commercial banks of the two countries, to develop the payment system and expand cooperation in the area of bank card usage, and develop cooperation in the area of insurance supervision and regulation of the insurance business.

In 2016, the National Bank took part in reviewing a number of documents which relate to the activities of the Shanghai Cooperation Organization, including the draft Action Plan for 2016-2020 for implementation of the Development Strategy till 2025.

4.9. Increasing Financial Literacy of the Population

According to the Concept of the Financial Sector Development of the Republic of Kazakhstan till 2030, one of priorities in the financial sector development is to expand the coverage of the population and economic entities with financial services and to increase financial literacy of the financial services consumers.

In 2016, the Program for Increasing Financial Literacy of the Population for 2016-2018 was approved by the Resolution of the National Bank's Board. In implementing the Program, in 2016 a nation-wide broadcasting TV channel launched an educational TV program where the heads of the National Bank departments acted as speakers; open educational lectures for university undergraduates as well as for individuals living in the regional largest towns of Kazakhstan were conducted; booklets about financial services were designed and issued. An integrated Internet-portal intended for financial education of the population was designed and launched; the Internet-portal launched a public poll to determine the level of financial literacy among the population, and the work is in progress to fill it with the up-to-date information. The information which is relevant for the population is being posted in the "Protection of Rights of the Financial Services Consumers" Section of the National Bank's official Internet-resource on a permanent basis.

4.10. Providing Public Services

In 2016, the top-priority activities of the National Bank in providing public services were to make public services more efficient, to prevent breaches of requirements of standards and procedural rules on public services, and to strengthen internal control over the quality of public services provided.

Due to changes in the legislation which resulted in the exclusion of 14 public services and inclusion of 1 new public service, the number of public services provided by the National Bank decreased from 57 to 44, of which 37 – were automated and are provided both electronically and in hard copy, 7 – are provided in hard copy only.

During 2016, the National Bank provided 4 080 public services, where 1 008 public services were provided electronically, including 352 public services provided via the e-government portal, 656 public services provided via the “E-licensing” Governmental Data Base information system, and 3 072 public services were provided in hard copy.

With a view to strengthen internal control, 9 inspections were conducted to check the quality of public services provided by the National Bank. Based on inspections, no cases where public services would be provided with the violation of the procedure and the time frames as well as no complaints regarding the quality of provided public services on the part of their recipients were identified.

Based on the public services quality survey conducted by the scientific and research center “Bilim”, the National Bank holds the leading position among 19 government agencies included in the survey, with the score of 4.88 out of 5.

Annex to the Report of the National Bank of the Republic of Kazakhstan for 2016

Organizational Chart and Staff Numbers

Governor of the National Bank

Deputy Governor of the National Bank

Business Units in the Head-Office of the National Bank		
Research and Statistics Department	Balance of Payments and Currency Regulation Department	Financial Stability and Risks Department
Monetary Operations Department	Financial Market Methodology Department	Bank Supervision Department
Securities Market Department	Insurance Supervision Department	Legal Department
Accounting Department	Payment Systems Department	Internal Audit Department
Coordination Department (Astana city)		Monetary Operations Accounting Division
Cash Management Division	Information Technologies Division	Inspection Division
HR Division	Planning and Budget Division	Operational Division
International Cooperation Division	Organizational Work and Control Division	Financial Services Consumers' Rights Protection and External Communication Division
State Secrets Protection Division	Security Division	Administrative Division
Representative Office and Branches of the National Bank		
Representative Office of the NBK in the Russian Federation	16 regional branches	Center for Cash Operations and Valuable Storage (branch)
Organizations of the National Bank		
Kazakhstan Interbank Settlement Center of the NBRK	Kazakhstan Mint of the NBRK	Banknote Factory of the NBRK
Joint-Stock Companies		
"Problem Loans Fund" JSC	"National Investment Corporation of the NBRK" JSC	"Kazakhstan Deposit Insurance Fund" JSC
"Central Securities Depository" JSC	"Kazakhstan Stock Exchange" JSC	"The Integrated Securities Registrar" JSC
"State Credit Bureau" JSC	"Bank Service Bureau of the NBK" JSC	"Back-up Center of the NBK "Q-BRO"
"Center of activities' maintenance of the NBK" JSC	"Academy of the Regional Financial Center of Almaty City" JSC	"Rating Agency of the Regional Financial Center of Almaty City" JSC

Staff Numbers of the National Bank

	Staff number at the end of the reporting period			
	staffing plan, numbers		staff listing, number of people	
	2015	2016	2015	2016
1	2	3	4	5
Head office ¹	1 267	1 182	1 291	1 196
Branches	1 310,5	1 316	1 352	1 356
Total:	2 577,5	2 498	2 643	2 552
National Bank's organizations (RSOEs)	863	853	856	849
Total in the National Bank:	3 440.5	3 351	3 499	3 401
Joint-stock companies	1 314	1 223	1 165	1 156
Grand total:	4 754.5	4 574	4 664	4 557

¹ Including the Head of the National Bank's Representative Office in the Russian Federation

Annex 1 to Section 1.5

Table 1.5.1

Balance of Payments of the Republic of Kazakhstan: Analytical Presentation

(USD mln.)

	2015	2016	2016			
			I	II	III	IV
Current account	-5142.1	-8517.8	-1216.1	-2595.1	-1842.9	-2863.7
Trade balance	12671.4	9431.9	2668.0	1886.3	2409.3	2468.3
Exports	46515.9	37301.2	8463.8	8721.4	9692.2	10423.8
Imports	33844.4	27869.3	5795.8	6835.1	7282.9	7955.5
Services	-5106.3	-4751.7	-990.8	-900.8	-1527.3	-1332.8
Exports	6476.0	6309.7	1517.9	1581.7	1660.6	1549.5
Imports	11582.2	11061.4	2508.7	2482.5	3187.9	2882.3
Primary income	-11157.1	-12804.7	-2780.4	-3494.3	-2657.7	-3872.3
Compensation of employees, net	-1650.9	-1303.4	-285.6	-328.7	-335.6	-353.6
Investment income, net	-9646.0	-11641.0	-2529.8	-3200.5	-2357.1	-3553.6
Income receivable	2113.1	2083.9	454.4	564.2	514.6	550.7
Income on direct investments	583.5	573.7	87.1	155.3	151.9	179.5
Income on portfolio investments	1035.4	1086.0	263.4	299.3	254.2	269.1
Income on other investments	494.1	424.2	103.9	109.6	108.5	102.2
<i>of which Interest on international reserves and assets of the National Fund</i>	1027.5	1119.8	270.4	319.1	273.9	256.5
Income payable	11759.0	13725.0	2984.2	3764.7	2871.7	4104.4
Income on direct investments	8771.8	10926.2	2326.8	3060.1	2141.1	3398.2
Income on portfolio investments	1639.3	1191.6	314.4	308.6	287.1	281.5
Income on other investments	1347.9	1607.2	342.9	396.0	443.6	424.7
Other primary income, net	139.8	139.8	34.9	34.9	34.9	34.9
Secondary income	-1550.2	-393.3	-112.9	-86.3	-67.2	-126.9
Capital account balance	131.7	269.6	5.7	23.3	190.3	50.2
Financial account (excluding reserve assets of the National Bank)	-9404.9	-8789.5	-1469.4	-3411.8	-2295.1	-1613.2
Direct investment	-3123.2	-14436.3	-2828.7	-2956.1	-6340.5	-2311.0
Net acquisition of financial assets	3327.5	3210.5	132.8	2245.0	798.2	34.6
Net incurrence of liabilities	6450.7	17646.8	2961.6	5201.0	7138.7	2345.6
Portfolio investment	-5887.9	703.3	2219.2	808.1	-286.1	-2037.8
Net acquisition of financial assets	-9524.5	-1250.2	1824.6	565.0	-673.5	-2966.4
Government and the National Bank	-8358.4	-2609.5	1762.1	-166.5	-704.6	-3500.4
Banks	-819.8	150.6	50.9	-237.8	90.8	246.7
Other sectors	-346.3	1208.6	11.6	969.4	-59.7	287.3
Net incurrence of liabilities	-3636.6	-1953.5	-394.6	-243.0	-387.4	-928.6
Central bank and general government	3355.2	-759.0	-245.3	-11.5	-316.6	-185.7
Banks	-872.3	-912.9	-83.5	-199.1	-81.3	-549.0
Other sectors	-6119.5	-281.6	-65.8	-32.4	10.5	-193.9
Financial derivatives, net	-106.8	-15.8	-25.3	13.5	6.4	-10.5
Other investments	-287.0	4959.3	-834.5	-1277.3	4325.1	2746.1
Other equity, net	86.3	-24.3	37.1	-0.2	-32.5	-28.7
Medium- and long-term debt instruments	-4042.5	-3382.1	410.6	-3576.7	547.6	-763.7
Net acquisition of financial assets	-2201.0	-1707.3	-157.8	-636.7	-229.8	-683.0
Central bank and general government	-38.8	-188.5	-33.9	-29.7	-59.9	-65.0
Banks	-179.7	-316.1	-42.8	-218.4	-27.1	-27.8

Other sectors	-1982.5	-1202.7	-81.1	-388.6	-142.8	-590.2
Net incurrence of liabilities	1841.5	1674.9	-568.4	2940.0	-777.4	80.6
Central bank and general government	923.3	843.0	-50.2	960.1	-133.3	66.3
Banks	-624.4	53.0	-101.2	23.2	-74.8	205.9
Other sectors	1542.6	778.9	-417.0	1956.7	-569.3	-191.5
Short-term debt instruments	3669.1	8365.7	-1282.2	2299.6	3809.9	3538.5
Net acquisition of financial assets	1753.9	8556.4	-1272.5	2445.0	4249.4	3134.5
Net incurrence of liabilities	-1915.2	190.6	9.7	145.4	439.5	-404.0
Net errors and omissions	-5162.1	-797.7	-1342.2	152.0	-303.4	696.0
Overall balance	767.7	256.4	1083.2	-992.0	-339.1	504.3
Financing	-767.7	-256.4	-1083.2	992.0	339.1	-504.3
Reserve assets NBK	-767.7	-256.4	-1083.2	992.0	339.1	-504.3
IMF credits	0.0	0.0				
Exceptional financing	0.0	0.0				

Annex 2 to Section 1.5

Table 1.5.2

External Debt: Standard Presentation

(USD mln.)

	As at 31.12.2014	As at 31.12.2015	As at 31.03.2016	As at 30.06.2016	As at 30.09.2016	As at 31.12.2016
External debt	157 561.5	153 381.2	153 776.9	160 181.3	165 137.9	163 757.7
<i>Short-term</i>	9 713.8	6 464.3	6 451.9	6 533.8	6 949.8	6 758.9
<i>Long-term</i>	147 847.7	146 916.9	147 325.0	153 647.5	158 188.1	156 998.8
General Government	7 332.5	11 309.3	11 335.6	12 692.7	12 698.4	12 125.2
<i>Short-term</i>	0.0	17.8	20.2	11.7	15.3	11.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities ¹	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	17.8	20.2	11.7	15.3	11.3
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	7 332.5	11 291.5	11 315.4	12 680.9	12 683.1	12 113.9
Special Drawing Rights	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities ¹	1 887.6	5 038.0	5 074.2	5 367.7	5 330.9	4 749.2
Loans	5 369.7	6 214.5	6 238.4	7 311.0	7 350.5	7 363.6
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities ²	75.2	39.0	2.8	2.3	1.7	1.1
Central Bank	953.7	898.8	892.0	894.0	739.4	756.3
<i>Short-term</i>	215.6	76.0	104.7	169.4	178.5	242.5
Currency and deposits	209.3	70.9	99.7	105.2	502	17.2
Debt securities ¹	0.0	0.0	0.0	60.4	120.8	220.8
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	6.3	5.0	5.1	3.7	7.5	4.6
<i>Long-term</i>	738.1	822.9	787.3	724.6	560.9	513.8
Special Drawing Rights	503.2	481.8	488.7	485.0	485.8	465.6
Currency and deposits	233.9	340.0	297.6	238.7	73.7	47.2
Debt securities ¹	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities ²	1.0	1.0	1.0	1.0	1.3	1.0
Banks	10 119.5	7 972.8	7 697.6	7 667.1	7 562.1	7 155.5
<i>Short-term</i>	1 467.6	764.4	766.1	751.1	739.9	585.4
Currency and deposits	988.0	575.1	591.4	600.1	603.8	475.6
Debt securities ¹	0.0	0.0	0.0	0.0	0.0	0.0
Loans	351.8	149.1	101.4	99.0	96.8	69.9
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	127.8	40.2	73.3	52.0	39.4	40.0
<i>Long-term</i>	8 651.9	7 208.4	6 931.5	6 916.0	6 822.2	6 570.1
Currency and deposits	816.0	149.4	125.0	129.4	130.5	158.5
Debt securities ¹	4 704.1	3 999.9	3 832.4	3 793.1	3 787.3	3 316.2
Loans	3 131.9	3 059.1	2 974.1	2 993.5	2 904.5	3 095.4
Trade credit and advances	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities ²	0.0	0.0	0.0	0.0	0.0	0.0
Other Sectors³	59 574.0	51 223.1	50 659.5	53 141.4	53 330.0	52 468.0
<i>Short-term</i>	8 030.6	5 606.2	5 560.8	5 601.6	6 016.1	5 919.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0

Debt securities ¹	0.0	0.0	0.0	0.0	0.0	0.0
Loans	1 114.4	443.8	471.2	504.5	447.8	393.8
Trade credit and advances	6 810.1	5 059.5	4 957.1	5 028.5	5 263.6	5 424.6
Other debt liabilities	106.2	102.9	132.6	68.6	304.6	101.2
<i>Long-term</i>	51 543.4	45 616.9	45 098.7	47 539.8	47 313.9	46 548.4
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities ¹	15 912.8	9 617.8	9 449.9	9 915.2	10 244.0	9 926.6
Loans	33 284.9	33 382.0	33 063.2	34 747.2	34 382.7	34 264.4
Trade credit and advances	2 159.5	2 348.2	2 320.7	2 321.0	2 162.2	1 871.1
Other debt liabilities ²	186.2	268.9	264.8	556.5	525.2	486.3
Other financial corporations	3 461.8	2 593.0	2 568.2	2 650.6	2 935.9	2 711.0
<i>Short-term</i>	68.1	55.1	86.9	93.6	306.6	62.2
<i>Long-term</i>	3 393.7	2 538.0	2 481.3	2 556.9	2 629.3	2 648.8
Non-financial organizations, households and non-commercial organizations providing services to households	56 112.2	48 630.1	48 091.3	50 490.9	50 394.1	49 757.0
Short-term	7 962.6	5 551.2	5 473.9	5 508.0	5 709.5	5 857.4
Long-term	48 149.7	43 078.9	42 617.4	44 982.9	44 684.7	43 899.6
Direct investment: Intercompany lending	79 581.8	81 977.1	83 192.0	85 786.1	90 808.0	91 252.7
Debt liabilities of direct investment enterprises to direct investors	72 667.2	76 158.2	77 401.1	76 995.5	77 879.7	77 892.4
Debt liabilities of direct investors to direct investment enterprises (reverse investment)	1 536.4	932.7	738.4	2 959.0	7 029.8	7 036.1
Debt liabilities between fellow enterprises	5 378.2	4 886.3	5 052.5	5 831.6	5 898.5	6 324.1

¹ Debt securities are recorded at market value (if available)

² - Includes insurance and pension schemes and standard guarantee programs as well as other long-term liabilities from the structure of an international investment position

³ - Other sectors do not include intercompany debt which goes as a separate item in the external debt structure

Annex 3 to Section 1.5

Table 1.5.3

External Debt of the Republic of Kazakhstan: Absolute and Relative Parameters

Items	2015	QI 2016	QII 2016	QIII 2016	QIV 2016	2016
A. Absolute Parameters (USD mln.)						
1. External debt (estimate at the end of period)	153 381.2	153 776.9	160 181.3	165 137.9	163 757.7	163 757.7
<i>inc. intercompany lending</i>	81 977.1	83 192.0	85 786.1	90 808.0	91 252.7	91 252.7
2. External debt, excluding intercompany lending (estimate at the end of period)	71 404.1	70 584.8	74 395.2	74 329.9	72 505.0	72 505.0
3. Long-term external debt service (incl. intercompany lending)	38 100.8	6 602.6	8 302.9	7 405.7	8 783.3	31 094.5
4. Long-term external debt service (excl. intercompany lending)	26 357.8	3 732.1	4 303.8	4 053.8	4 410.3	16 500.0
B. Relative Parameters						
1. External debt per capita (in USD excl. intercompany lending)	4 040.8	3 980.4			4 044.6	4 044.6
2. External debt to GDP ratio (incl. intercompany lending, %)	83.2	92.6	106.8	121.5	122.1	122.5
3. External debt to GDP ratio (excl. intercompany lending, %)	38.7	42.5	49.6	54.7	54.1	54.2
4. External debt to EGNFSy ratio (incl. intercompany lending, %)	289.4	311.7	353.4	380.1	375.5	375.5
5. External debt to EGNFSy ratio (excl. intercompany lending, %)	134.7	143.1	164.1	171.1	166.3	166.3
6. Long-term external debt service to EGNFSp ratio (incl. intercompany lending, %)	71.9	66.1	80.6	65.2	73.4	71.3
7. Long-term external debt service to EGNFSp ratio (excl. intercompany lending, %)	49.7	37.4	41.8	35.7	36.8	37.8
8. Interest payments to EGNFSp ratio (%)	9.9	13.8	12.2	12.7	12.5	12.8
9. International reserves to a short-term external debt (%)	431.2	440.1	464.9	449.4	436.9	436.9
Memo Items:						
Population (in thousands)*	17 670.6	17 733.2			17 926.5	17 926.5
GDP (bln. KZT), the period**	40 884.1	9 309.1	10 048.0	11 998.1	14 377.0	45 732.1
GDP for the 12 months (bln. USD)***	184.4	166.0	150.0	136.0	134.1	133.7
Exports of goods and non-factor services for the period (EGNFSp)	52 991.9	9 981.7	10 303.1	11 352.8	11 973.3	43 610.9
Exports of goods and non-factor services for the year (EGNFSy)	52 991.9	49 335.9	45 326.7	43 442.9	43 610.9	43 610.9

¹ data of the Committee on Statistics of the Ministry of National Economy; data for the second and the third quarter of 2016 is not available due to their revision by the Committee on Statistics

² data of the Committee on Statistics of the Ministry of National Economy, for 2016 – preliminary data published on February 17, 2017.

³ GDP in the US Dollars for the calendar year – data of the Committee on Statistics of the Ministry of National Economy. GDP in US Dollars for 12 months for the reasons of calculating relative parameters on quarterly is calculated as the sum of quarter data in USD, using corresponding average value of the exchange rate for the quarter.

Annex 1 to Section 4.6

List of Regulations of the National Bank's Board Registered at the Ministry of Justice of the Republic of Kazakhstan in 2016

1. Resolution of the National Bank's Board as dated May 20, 2015 No. 193 "On a Change to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated January 25, 2015 No. 15 and the Order of the Minister of Finance of the Republic of Kazakhstan as dated February 22, 2013 No. 99 "Establishing the Procedure for Setting and Applying a Market-Based Exchange Rate".
2. Resolution of the National Bank's Board as dated December 9, 2015 No. 213 "On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated April 30, 2015 No. 71 "On Approval of Standards of Public Services of the National Bank of the Republic of Kazakhstan".
3. Resolution of the National Bank's Board as dated December 19, 2015 No. 222 "On Changes and a Supplement to Some By-Laws of the Republic of Kazakhstan on the Matters Pertinent to Regulation of the Banking Business".
4. Resolution of the National Bank's Board as dated December 19, 2015 No. 223 "On Changes to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated May 27, 2013 No. 137 "On Approval of the Rules for Creation of the Dynamic Reserve by Banks and Setting the Minimum Amount of the Dynamic Reserve, and the Amount of Expected Losses".
5. Resolution of the National Bank's Board as dated December 19, 2015 No. 224 "On Amendments to Some By-Laws of the Republic of Kazakhstan".
6. Resolution of the National Bank's Board as dated December 19, 2015 No. 226 "On Amendments to Some By-Laws of the Republic of Kazakhstan on the Matters Pertinent to Forced Liquidation of Banks, Insurance (Reinsurance) Organizations".
7. Resolution of the National Bank's Board as dated December 19, 2015 No. 227 "On Approval of Forms, Deadlines and Frequency of Reports and Additional Information by a Liquidation Commission of Voluntarily and Forcibly Liquidated Banks".
8. Resolution of the National Bank's Board as dated December 19, 2015 No. 228 "On Approval of the Rules for Replacement of Currency Units of the Domestic Currency of the Republic of Kazakhstan in Case of Change of their Design (Form)".
9. Resolution of the National Bank's Board as dated December 19, 2015 No. 229 "On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated August 24, 2012 No. 255 "On Approval of the Rules for the Sale and Repurchase of Banknotes and Coins of the Domestic Currency of the Republic of Kazakhstan by the National Bank of the Republic of Kazakhstan".

10. Resolution of the National Bank's Board as dated December 19, 2015 No. 230 "On Changes to Some Resolutions of the Board of the National Bank of the Republic of Kazakhstan on the Matters Pertinent to Cash Circulation in the Republic of Kazakhstan".

11. Resolution of the National Bank's Board as dated December 19, 2015 No. 231 "On Changes to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated August 24, 2012 No. 253 "On Approval of the Rules for Exchanging Banknotes and Coins of the Domestic Currency of the Republic of Kazakhstan that are Being Removed and Have Been Removed from Circulation as well as Worn Out and Damaged Banknotes and Coins of the Domestic Currency of the Republic of Kazakhstan".

12. Resolution of the National Bank's Board as dated December 19, 2015 No. 237 "On Approval of the Rules for Purchases of Goods, Works and Services by the National Bank of the Republic of Kazakhstan, its Offices, Organizations within its Structure and Legal Entities where the National Bank of the Republic of Kazakhstan Owns Fifty and More Percent of their Voting Shares (Participation Interest) or which are in its Fiduciary Management, and by its Affiliated Legal Entities".

13. Resolution of the National Bank's Board as dated December 19, 2015 No. 238 "On a Change to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated August 24, 2012 No. 270 "On Approval of the Rules for Organizing Book-Keeping".

14. Resolution of the National Bank's Board as dated December 19, 2015 No. 240 "On Approval of the Rules for Calculation of Ratios which Characterize an Insurance (Reinsurance) Organization's Loss (Loss Ratio, Expense Ratio, Combined Ratio".

15. Resolution of the National Bank's Board as dated December 19, 2015 No. 242 "On Changes to the Resolution of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations as dated April 30, 2007 No. 121 "On Approval of the Rules for Granting a Permit to Open a Bank as well as for Licensing of Banking and Other Operations and Activities in the Securities Market Carried Out by Banks".

16. Resolution of the National Bank's Board as dated December 19, 2015 No. 249 "On Approval of Requirements to the Organizational Structure of the Trades Organizer and the Composition of the Listing Panel with the Stock Exchange as well as the Rules for Carrying Out Activities by a Business Unit of the Trades Organizer that is Engaged in Supervising Transactions Conducted in the Stock Exchange's Trading System".

17. Resolution of the National Bank's Board as dated December 19, 2015 No. 250 "On Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to the Securities Market".

18. Resolution of the National Bank's Board as dated December 19, 2015 No. 251 "On Approval of the Rules for Issuance, Circulation and Redemption of Islamic Securities and their State Registration, for Review of Reports on their

Offering and Redemption and Cancellation of an Islamic Securities Issue, as well as Requirements to their Prospectus”.

19. Resolution of the National Bank’s Board as dated December 19, 2015 No. 252 “On Approval of the Rules for Establishing the Risk Management and Internal Control System for the Stock Exchange”.

20. Resolution of the National Bank’s Board as dated December 19, 2015 No. 253 “On Approval of Requirements to Availability of the Risk Management System at the Central Deository”.

21. Resolution of the National Bank’s Board as dated December 19, 2015 No. 254 “On Approval of the Rules for the Central Depository’s Operation”.

22. Resolution of the National Bank’s Board as dated December 19, 2015 No. 256 “On Approval of the List, Forms and Deadlines of Reports to be Submitted by the Registrar and the Rules for Such Submission”.

23. Resolution of the National Bank’s Board as dated December 31, 2015 No. 259 “On Approval of the Rules for the Interbank Money Transfer System Operation and on a Change to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated February 3, 2014 No. 14 “On Approval of the Rules for Establishing Correspondent Relations between the National Bank of the Republic of Kazakhstan and Banks as well as Organizations Engaged in Certain Types of Banking Operations”.

24. Resolution of the National Bank’s Board as dated December 31, 2015 No. 260 “On Changes and a Supplement to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated November 15, 1999 No. 388 “On Approval of the Rules for Application of the Economic Sector Codes and Payment Purposes and Submission of Information on Payments in Accordance Therewith”.

25. Resolution of the National Bank’s Board as dated December 31, 2015 No. 261 “On Approval of the Rules for Conducting Operations with Bills of Exchange and Promissory Notes by the Second-Tier Banks and Organizations Engaged in Certain Types of Banking Operations”.

26. Resolution of the National Bank’s Board as dated December 31, 2015 No. 262 “On Approval of the Rules for Operation of the Interbank Clearing System”.

27. Resolution of the National Bank’s Board as dated December 31, 2015 No. 263 “On Approval of the Rules for Monitoring Foreign Exchange Operations of Non-Residents which Carry Out their Activities within the Territory of the Republic of Kazakhstan”.

28. Resolution of the National Bank’s Board as dated December 31, 2015 No. 264 “On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated April 28, 2012 No. 154 “On Approval of the Rules for Conducting Foreign Exchange Operations in the Republic of Kazakhstan”.

29. Resolution of the National Bank’s Board as dated January 6, 2016 No. 1 “On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated May 29, 2015 No. 96 “On Approval of the

Procedure Rules on Public Services of the National Bank of the Republic of Kazakhstan”.

30. Resolution of the National Bank’s Board as dated January 28, 2016 No. 6 “On Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to Book-Keeping”.

31. Resolution of the National Bank’s Board as dated January 28, 2016 No. 8 “On Approval of the Calculation Methods for Regular Payments on Loans and Micriocredits Provided to Individuals by Banks, Organizations Engaged in Certain Types of Banking Operations and Microfinance Organizations and Envisaging the Presence of the Repayment Schedule as well as Temporary Bases for Calculation of Interest on Such Loans (Microcredits)”.

32. Resolution of the National Bank’s Board as dated January 28, 2016 No. 9 “On Changes and a Supplement to the Resolution of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations as dated February 28, 2011 No. 18 “On Approval of the List of Covenants of a Bank Loan Agreement and on Amendments to the Resolution of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations as dated February 23, 2007 No. 49 “On Approval of the Rules for Keeping Loan Records”.

33. Resolution of the National Bank’s Board as dated January 28, 2016 No. 10 “On Approval of the Rules Regarding the Activities of a Central Counterpart”.

34. Resolution of the National Bank’s Board as dated January 28, 2016 No. 11 “On Approval of Requirements to the Risk Management System of a Central Counterpart, to the Terms and Procedure for Monitoring, Control and Risk Management of a Central Counterpart”.

35. Resolution of the National Bank’s Board as dated January 28, 2016 No. 12 “On Amendments to Some By-Laws of the Republic of Kazakhstan on the Matters Pertinent to the Financial Market and Financial Organizations”.

36. Resolution of the National Bank’s Board as dated January 28, 2016 No. 13 “On Approval of the Rules for Recognizing Transactions with Securities and Other Financial Instruments Made in the Organized and Unorganized Securities Market as Conducted for Manipulation Purposes, for Establishing and Operation of the Expert Panel with the Stock Exchange as well as for its Numerical Composition”.

37. Resolution of the National Bank’s Board as dated January 28, 2016 No. 14 “On Approval of the Rules for Determining the Amount of Damage Caused to a Vehicle”.

38. Resolution of the National Bank’s Board as dated January 28, 2016 No. 15 “On Approval of the Rules for Granting a Permit for a Voluntary Reorganization of a Bank in the Form of Conversion into an Islamic Bank and a Refusal to Grant Such Permit”.

39. Resolution of the National Bank's Board as dated January 28, 2016 No. 16 "On Approval of the Rules for Conducting Operations with Financial Derivatives by the National Bank of the Republic of Kazakhstan".

40. Resolution of the National Bank's Board as dated January 28, 2016 No. 17 "On Approval of the Rules for Transferring a Part of Gold and Foreign Currency Assets of the National Bank of the Republic of Kazakhstan to External Management".

41. Resolution of the National Bank's Board as dated January 28, 2016 No. 18 "On Approval of the Rules for Fiduciary Management of Clients' Assets by the National Bank of the Republic of Kazakhstan".

42. Resolution of the National Bank's Board as dated January 28, 2016 No. 19 "On Approval of the Rules for Conducting Operations with Foreign Cash by the National Bank of the Republic of Kazakhstan".

43. Resolution of the National Bank's Board as dated January 28, 2016 No. 21 "On Approval of the Rules for Conducting Auctions by the National Bank of the Republic of Kazakhstan as part of the Monetary Policy Implementation".

44. Resolution of the National Bank's Board as dated January 28, 2016 No. 22 "On Approval of the Rules for Brokerage Activities of the National Bank of the Republic of Kazakhstan".

45. Resolution of the National Bank's Board as dated January 28, 2016 No. 23 "On Approval of the Rules for Dealer Activities of the National Bank of the Republic of Kazakhstan".

46. Resolution of the National Bank's Board as dated January 28, 2016 No. 25 "On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated February 3, 2014 No. 9 "On Approval of the Rules for Broker and/or Dealer Activities in the Securities Market".

47. Resolution of the National Bank's Board as dated January 28, 2016 No. 26 "On Approval of the Rules for Posting Information about Corporate Events, Financial Statements and Audit Reports, Lists of Affiliated Entities of Joint-Stock Companies as well as Information about the Overall Amount of Annual Performance-Based Compensation to the Members of an Executive Body, at the Internet-resource of the Financial Statements Depository and of the Stock Exchange".

48. Resolution of the National Bank's Board as dated January 28, 2016 No. 27 "On Approval of the Rules for Provision of Electronic Services by Nominal Holders".

49. Resolution of the National Bank's Board as dated January 28, 2016 No. 28 "On Approval of the Rules for Functioning of the Interbank Payment Card System".

50. Resolution of the National Bank's Board as dated January 28, 2016 No. 29 "On Approval of the Rules for Interbank Payments and Money Transfers on Operations with the Use of Payment Cards in the Republic of Kazakhstan".

51. Resolution of the National Bank's Board as dated January 28, 2016 No. 30 "On Approval of the Manual on Formalizing, Using and Executing Payment Instructions, Payment Orders-Instructions, and Collection Orders".

52. Resolution of the National Bank's Board as dated January 28, 2016 No. 31 "On Approval of Requirements Set in Respect of Degrees of Protection of Bill Paper Manufactured within the Territory or Imported into the Territory of the Republic of Kazakhstan, as well as Technical Requirements to Bill Paper".

53. Resolution of the National Bank's Board as dated January 28, 2016 No. 32 "On Amendments to Some Legislative Acts of the National Bank of the Republic of Kazakhstan on the Matters Pertinent to Payments and Money Transfers and Bank Account-Keeping".

54. Resolution of the National Bank's Board as dated January 28, 2016 No. 33 "On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated August 24, 2000 No. 331 "On Approval of the Manual on Issuance and the Use of Payment Cards".

55. Resolution of the National Bank's Board as dated January 28, 2016 No. 34 "On Approval of Requirements to Safety and Uninterrupted Operation of Information Systems of Banks and Organizations Engaged in Certain Types of Banking Operations".

56. Resolution of the National Bank's Board as dated January 28, 2016 No. 35 "On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated August 24, 2012 No. 269 "On Approval of Requirements to Arrangements and Software and Hardware Ensuring Access to Payment Systems to Banks and Organizations Engaged in Certain Types of Banking Operations".

57. Resolution of the National Bank's Board as dated January 28, 2016 No. 36 "On Approval of the Rules for Conducting Operations on Conversion and Reconversion of Foreign Currency for Clients by the National Bank of the Republic of Kazakhstan".

58. Resolution of the National Bank's Board as dated January 28, 2016 No. 41 "On Approval of the Rules for Submission of Financial Statements by Financial Organizations, Special Purpose Vehicles, Islamic Special Purpose Vehicles, and Microfinance Organizations".

59. Resolution of the National Bank's Board as dated January 28, 2016 No. 50 "On Approval of the List of Open Source Data of the National Bank of the Republic of Kazakhstan that are Posted at the Open Source Data Internet-Portal".

60. Resolution of the National Bank's Board as dated January 28, 2016 No. 51 "On Approval of the Rules for Application of Restricted Remedial Actions in Respect of an Insurance (Reinsurance) Organization, Insurance Broker, Actuary, Insurance Holding Company, Organizations Comprising an Insurance Group, Large Participants of an Insurance (Reinsurance) Organization as well as an Organization which is in Charge of the Data Base Building and Maintenance".

61. Resolution of the National Bank's Board as dated January 28, 2016 No. 52 "On Changes to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated March 20, 2015 No. 38 "On Approval of the Rules on Minimum Reserve Requirements Including the Structure of Bank Liabilities Taken for the Calculation; Terms of Compliance with Minimum Reserve Requirements; Reserving Procedure".

62. Resolution of the National Bank's Board as dated January 28, 2016 No. 55 "On Changes and a Supplement to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated July 16, 2014 No. 144 "On Approval of the Rules for Arranging Exchange Operations with Foreign Cash in the Republic of Kazakhstan".

63. Resolution of the National Bank's Board as dated January 28, 2016 No. 56 "On Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to the Banking Business".

64. Resolution of the National Bank's Board as dated February 29, 2016 No. 59 "On Approval of the List, Forms and Deadlines of Reports to be Submitted by the Trades Organizer and the Rules for Such Submission".

65. Resolution of the National Bank's Board as dated February 29, 2016 No. 61 "On Approval of the Rules for Enforcement of the Government's Priority Right to Purchase Refined Gold in Order to Replenish Assets in Precious Metals".

66. Resolution of the National Bank's Board as dated February 29, 2016 No. 64 "On Approval of the Manual about Specifics in Activities of Liquidation Commissions of Voluntarily Liquidated Banks".

67. Resolution of the National Bank's Board as dated February 29, 2016 No. 65 "On Approval of Forms, Deadlines and Frequency of Reporting and Providing Additional Information by Liquidation Commissions of Voluntarily and Forcibly Liquidated Insurance (Reinsurance) Organizations".

68. Resolution of the National Bank's Board as dated February 29, 2016 No. 66 "On Identifying a List of Essential Documents which should be Stored and the Time Lines of their Storage at the Second-Tier Banks".

69. Resolution of the National Bank's Board as dated February 29, 2016 No. 67 "On Amendments to Some By-Laws of the Republic of Kazakhstan on the Matters Pertinent to Regulation of the Banking Business".

70. Resolution of the National Bank's Board as dated February 29, 2016 No. 68 "On Approval of the Rules for Application of Restricted Remedial Actions in Respect of a Bank, Organization Engaged in Certain Types of Banking Operations as well as a Bank Holding Company, Organizations Comprising a Bank Conglomerate, Large Participants of a Bank, and the Rules for Application of Enforcement Measures in Respect of Banks which Have the Features of a Large Participant or a Bank Holding Company as well as in Respect of Large Participants of a Bank, Bank Holding Companies or Legal Entities Comprising a Bank Conglomerate".

71. Resolution of the National Bank's Board as dated February 29, 2016 No. 69 "On Identifying Factors which Cause Deterioration in the Financial Position of a Bank and a Bank Conglomerate as well as on Approval of the Rules for Application of Early Response Measures and the Methods for Identification of Factors which Cause Deterioration in the Financial Position of a Bank and a Bank Conglomerate".

72. Resolution of the National Bank's Board as dated February 29, 2016 No. 73 "On Changes and a Supplement to Some By-Laws of the Republic of Kazakhstan on the Matters Pertinent to Approval of Executive Officers of

Financial Organizations, Holding Companies and the “Insurance Indemnity Guarantee Fund” JSC.

73. Resolution of the National Bank’s Board as dated February 29, 2016 No. 76 “On Approval of the Rules for the State Registration of an Issue of Authorized Shares, Review of Reports on Placed Shares as well as Cancellation of the Issue of Authorized Shares; of the Rules for Designing and Formalizing the Prospectus of Authorized Shares; of the Requirements to the Report on Outcomes of Placement of Shares “.

74. Resolution of the National Bank’s Board as dated February 29, 2016 No. 81 “On Approval of the Rules for Delivering the Waste and Scrap of Precious Metals which Became the State Property on Separate Grounds to be Refined to Bullions of Refined Gold and their Collection after Refinery”.

75. Resolution of the National Bank’s Board as dated February 29, 2016 No. 82 “On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated February 24, 2012 No. 42 “On Approval of the Rules for Export and Import Currency Control in the Republic of Kazakhstan and Assigning Contract Registration Numbers on Exports and Imports to Residents”.

76. Resolution of the National Bank’s Board as dated March 17, 2016 No. 90 “On Approval of the Statute of the National Bank of the Republic of Kazakhstan”.

77. Resolution of the National Bank’s Board as dated March 17, 2016 No. 91 “On Approval of the Rules for the Use of Cheques within the Territory of the Republic of Kazakhstan”.

78. Resolution of the National Bank’s Board as dated March 17, 2016 No. 105 “On an Amendment to the Resolution of the Board of the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations as dated March 27, 2009 No. 66 “On Approval of the Manual on Prudential Ratios for Islamic Banks, their Required Values and Methods of Calculation”.

79. Resolution of the National Bank’s Board as dated March 17, 2016 No. 106 “On Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to the Securities Market”.

80. Resolution of the National Bank’s Board as dated April 29, 2016 No. 115 “On Approval of the Rules for the State Registration of an Issue of Non-Government Bonds (the Bond Program), Review of Reports on Placed and Redeemed Non-Government Bonds as well as Cancellation of the Bond Issue; of the Rules for Designing and Formalizing the Prospectus of Non-Government Bonds (the Bond Program Prospectus, the Bond Prospectus within the Bond Program); the Structure of the Non-Government Bond Prospectus (the Bond Program Prospectus, the Bond Prospectus within the Bond Program); of the Requirements to the Drafting and Formalizing of the Report on Outcomes of Placement of Non-Government Bonds and the Report on Outcomes of Redemption of Non-Government Bonds”.

81. Resolution of the National Bank's Board as dated April 29, 2016 No. 116 "On Changes to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated August 24, 2012 No. 261 "On Approval of the Rules for Appointment and Termination of the Employment Agreement with Employees of the National Bank of the Republic of Kazakhstan".

82. Resolution of the National Bank's Board as dated May 30, 2016 No. 126 "On Approval of the Rules for Selection of External Asset Managers for the National Fund of the Republic of Kazakhstan".

83. Resolution of the National Bank's Board as dated May 30, 2016 No. 127 "On Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to Regulation of the Insurance Business".

84. Resolution of the National Bank's Board as dated May 30, 2016 No. 128 "On Changes to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated April 18, 2014 No. 53 "On Approval of the Rules for Assigning National Identification Numbers to Government Securities".

85. Resolution of the National Bank's Board as dated May 30, 2016 No. 130 "On Approval of the Rules for Review of Reports on Outcomes of Placements of Equity Units of Unit Investment Funds and of the Requirements to Drafting and Formalizing of the Report on the Outcomes of Placement of Equity Units of a Unit Investment Fund".

86. Resolution of the National Bank's Board as dated May 30, 2016 No. 134 "On Approval of the List of Fees and Other Payments Associated with the Provision and Servicing of a Bank Loan and a Microcredit Provided to an Individual that are Taken into Account in Calculating the Annual Effective Interest Rate".

87. Resolution of the National Bank's Board as dated May 30, 2016 No. 135 "On Amendments to Some By-Laws of the Republic of Kazakhstan on the Matters Pertinent to Regulation of the Banking Business and Microfinance Organizations".

88. Resolution of the National Bank's Board as dated May 30, 2016 No. 136 "On Approval of the List of Financial Products, where a Financial Organization Notifies the National Bank of the Republic of Kazakhstan of their Approval".

89. Resolution of the National Bank's Board as dated May 30, 2016 No. 137 "On Approval of the Rules for Notification of the National Bank of the Republic of Kazakhstan about Approval of Financial Products by Financial Organizations as well as of the List of Documents Attached to the Notice".

90. Resolution of the National Bank's Board as dated May 30, 2016 No. 140 "On Approval of the Rules for Calculation of the Insurance Class under the Bonus Malus System to the Insurant (the Insured) under the Compulsory Motor Civil Liability Insurance".

91. Resolution of the National Bank's Board as dated May 30, 2016 No. 141 "On Changes to the Resolution of the Board of the Agency of the Republic of

Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations as dated March 1, 2010 No. 24 “On Approval of the Requirements to the Content and Manufacturing of the Insurance Policy Forms, Formalization and Issuance of Insurance Policies under the Compulsory Motor Civil Liability Insurance, Compulsory Insurance of Tour Operator’s or Tour Agent’s Civil Liability as well as to the Content of Applications Filed by an Insurant in Order to Enter into Contracts of Compulsory Insurance under Certain Lines of Compulsory Insurance”.

92. Resolution of the National Bank’s Board as dated May 30, 2016 No. 142 “On Establishing the Format for the Statement of Commissioning of the Credit History Data Base Management System”.

93. Resolution of the National Bank’s Board as dated May 30, 2016 No. 143 “On Changes and a Supplement to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated May 8, 2015 No. 75 “On Approval of the List, Forms, and Deadlines of Reports on Compliance with Prudential Ratios by the Second-Tier Banks and the Rules for their Submission”.

94. Resolution of the National Bank’s Board as dated May 30, 2016 No. 144 “On Setting Prudential Ratios and Other Mandatory Norms and Limits for Islamic Banks, their Regulatory Values and the Method for Calculation of Prudential Ratios and Other Mandatory Norms and Limits for Islamic Banks”.

95. Resolution of the National Bank’s Board as dated May 30, 2016 No. 146 “On Changes and a Supplement to Some By-Laws of the Republic of Kazakhstan on the Matters Pertinent to Reduction in the Number of Authorization Documents and Simplification of Authorization Procedures”.

96. Resolution of the National Bank’s Board as dated May 30, 2016 No. 147 “On Setting Regulatory Values and the Method for Calculation of Prudential Ratios and Other Mandatory Norms and Limits for the Size of a Bank’s Capital at a Certain Date and the Rules for Calculation and the Limits of the Bank’s FX Exposure”.

97. Resolution of the National Bank’s Board as dated June 27, 2016 No. 152 “On Changes to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated February 25, 2013 No. 65 “On Approval of the Rules for Creating Provisions (Reserves) in Line with the International Financial Reporting Standards and of the Requirements of the Laws of the Republic of Kazakhstan on Accounting and Financial Reporting”.

98. Resolution of the National Bank’s Board as dated June 27, 2016 No. 168 “On a Change to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated August 24, 2012 No. 242 “On Approval of the Rules for Setting the Official Exchange Rate of the Domestic Currency of the Republic of Kazakhstan Against Foreign Currencies”.

99. Resolution of the National Bank’s Board as dated August 8, 2016 No. 171 “On Approval of the Rules for Storage of Documents Subject to Mandatory Storage by Professional Participants of the Securities Market, Insurance Agents Engaged in the Entrepreneur Activities, and the Lists of Documents Subject to Mandatory Storage and the Time Frames for their Storage by Professional

Participants of the Securities Market, Insurance Agents Engaged in the Entrepreneur Activities”.

100. Resolution of the National Bank’s Board as dated August 8, 2016 No. 174 “On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated January 28, 2016 No. 17 “On Approval of the Rules for Transferring a Part of Gold and Foreign Currency Assets of the National Bank of the Republic of Kazakhstan to External Management”.

101. Resolution of the National Bank’s Board as dated August 8, No. 184 “On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated February 24, 2012 No. 42 “On Approval of the Rules for Export-Import Currency Control in the Republic of Kazakhstan and Assigning Contract Registration Numbers on Exports and Imports to Residents”.

102. Resolution of the National Bank’s Board as dated August 8, 2016 No. 188 “On Amendments to Some Legislative Acts of the Republic of Kazakhstan on the Matters Pertinent to Regulation of the Banking Business”.

103. Resolution of the National Bank’s Board as dated August 31, 2016 No. 192 “On Amendments to Some Legislative Acts of the Republic of Kazakhstan Regarding Regulation of the Financial Market”.

104. Resolution of the National Bank’s Board as dated August 31, 2016 No. 200 “On Approval of the Requirements to Arrangements and Software and Hardware which Provide Access to the Payment Systems”.

105. Resolution of the National Bank’s Board as dated August 31, 2016 No. 201 “On Approval of the Rules for Functioning of the Interbank System of Money Transfers”.

106. Resolution of the National Bank’s Board as dated August 31, 2016 No. 202 “On Approval of the Rules for Issuance, Use and Repayment of Electronic Money as well as Requirements to the Electronic Money Issuers and Electronic Money Systems within the Territory of the Republic of Kazakhstan”.

107. Resolution of the National Bank’s Board as dated August 31, 2016 No. 203 “On Approval of the Rules for the Use of Economic Sectors Codes and the Payment Purpose”.

108. Resolution of the National Bank’s Board as dated August 31, 2016 No. 204 “On Approval of the Rules for the Use of Cheques within the Territory of the Republic of Kazakhstan”.

109. Resolution of the National Bank’s Board as dated August 31, 2016 No. 205 “On Approval of the Rules for the Payment Card Issuance as well as Requirements to Servicing of Operations with the Use of Payment Cards within the Territory of the Republic of Kazakhstan”.

110. Resolution of the National Bank’s Board as dated August 31, 2016 No. 206 “On Approval of the Amount of Limit for Payments and Money Transfers across Correspondent Accounts of Banks and Organizations Engaged in Certain Types of Banking Operations”.

111. Resolution of the National Bank’s Board as dated August 31, 2016 No. 207 “On Approval of the Rules for Opening, Keeping and Closing Bank Accounts of Clients”.

112. Resolution of the National Bank's Board as dated August 31, 2016 No. 208 "On Approval of the Rules for Non-Cash Payments and/or Money Transfers within the Territory of the Republic of Kazakhstan».

113. Resolution of the National Bank's Board as dated August 31, 2016 No. 209 "On Approval of the Rules for Establishing Correspondent Relations between the National Bank of the Republic of Kazakhstan and Banks, as well as Organizations Engaged in Certain Types of Banking Operations".

114. Resolution of the National Bank's Board as dated August 31, 2016 No. 210 "On Approval of the Rules for Establishing Correspondent Relations between Banks as well as Banks and Organizations Engaged in Certain Types of Banking Operations".

115. Resolution of the National Bank's Board as dated August 31, 2016 No. 211 "On Approval of the Rules for Functioning of the Interbank Clearing System".

116. Resolution of the National Bank's Board as dated August 31, 2016 No. 212 "On Approval of the Rules for Provision of Electronic Banking Services by Banks and Organizations Engaged in Certain Types of Banking Operations".

117. Resolution of the National Bank's Board as dated August 31, 2016 No. 213 "On Approval of the Rules Regarding Provision of Information about Payment Services".

118. Resolution of the National Bank's Board as dated August 31, 2016 No. 214 "On Approval of the Rules Regarding Provision of Information about Payments and/or Money Transfers by an Operator or an Operating Center of a Systemically Important or Important Payment System".

119. Resolution of the National Bank's Board as dated August 31, 2016 No. 215 "On Approval of the Rules for Organization of Operation of Payment Institutions".

120. Resolution of the National Bank's Board as dated August 31, 2016 No. 216 "On Approval of the Rules for Interbank Payments and/or Money Transfers on Operations with the Use of Payment Cards in the Republic of Kazakhstan".

121. Resolution of the National Bank's Board as dated August 31, 2016 No. 217 "On Approval of the Rules for Functioning of the Interbank Payment Card System".

122. Resolution of the National Bank's Board as dated August 31, 2016 No. 218 "On Approval of the Rules for Functioning of Payment Systems where the National Bank of the Republic of Kazakhstan or its Subsidiary Acts as an Operator".

123. Resolution of the National Bank's Board as dated August 31, 2016 No. 219 "On Approval of Requirements to Formalization and the Content of a Statement of Bank Account Existence and its Number and the Statement of Bank Account Balance and its Cash Flows".

124. Resolution of the National Bank's Board as dated August 31, 2016 No. 220 "On Approval of the Rules for Keeping the Register of Important Payment Services Providers".

125. Resolution of the National Bank's Board as dated August 31, 2016 No. 221 "On Approval of the Rules for Keeping the Payment Systems Register".

126. Resolution of the National Bank's Board as dated August 31, 2016 No. 222 "On Approval of Criteria for Important Payment Systems".

127. Resolution of the National Bank's Board as dated August 31, 2016 No. 223 "On Approval of Criteria Whereby a Payment Services Provider Falls within a Prominent Payment Services Provider".

128. Resolution of the National Bank's Board as dated September 26, 2016 No. 229 "On Amendments to Some By-Law of the Republic of Kazakhstan Regarding Accounting".

129. Resolution of the National Bank's Board as dated September 26, No. 239 "On Approval of the Rules for Issuance, Offering, Circulation and Redemption of Short-Term Notes of the National Bank of the Republic of Kazakhstan".

130. Resolution of the National Bank's Board as dated September 26, 2016 No. 241 "On Changes and a Supplement to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated October 24, 2014 No. 190 "On Approval of the Rules for Appointing and Removing the Liquidation Commission of a Forcibly Liquidated Bank, Insurance (Reinsurance) Organization and the Requirements to the Chairperson and Members of the Liquidation Commission of a Forcibly Liquidated Bank, Insurance (Reinsurance) Organization".

131. Resolution of the National Bank's Board as dated October 28, 2016 No. 257 "On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated December 24, 2012 No. 386 "On Approval of the Rules for Record Registration of Microfinance Organizations and Keeping the Register of Microfinance Organizations".

132. Resolution of the National Bank's Board as dated October 28, 2016 No. 259 "On Amendments to Some By-Laws of the Republic of Kazakhstan on the Matters Pertinent to the Securities Market Regulation".

133. Resolution of the National Bank's Board as dated October 28, 2016 No. 261 "On Approval of the List, Forms, and Deadlines for Reports of the "Insurance Indemnity Guarantee Fund" JSC and the Rules for Submission Thereof".

134. Resolution of the National Bank's Board as dated October 28, 2016 No. 264 "On Amendments to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated January 28, 2016 No. 14 "On Approval of the Rules for Determining the Amount of Damage Caused to a Vehicle".

135. Resolution of the National Bank's Board as dated November 28, 2016 No. 269 "On Currency Exchange Regulation and Control".

136. Resolution of the National Bank's Board as dated November 28, 2016 No. 279 "On Amendments to Some Legislative Acts of the Republic of Kazakhstan on Accounting and Financial Reporting".

137. Resolution of the National Bank's Board as dated November 28, 2016 No. 282 "On Approval of the Rules for Keeping the State Register of the Issue-Grade Securities".

138. Resolution of the National Bank's Board as dated November 28, 2016 No. 283 "On Approval of the Rules for Assigning a National Identification Number (National Identification Numbers) to Authorized Shares".

139. Resolution of the National Bank's Board as dated November 28, 2016 No. 285 "On a Change to the Resolution of the Board of the National Bank of the Republic of Kazakhstan as dated December 24, 2014 No. 250 "Establishing a Time Period for Parallel Circulation of Banknotes with the 1000 Tenge Denomination of the 2006 and 2014 Specimen".

140. Resolution of the National Bank's Board as dated November 30, 2016 No. 288 "On Approval of the Rules for Providing Services to a Bank which are Related to Attraction of Clients, Conducting their Due Dilligence and Handing their Documents over to the Bank".

141. Resolution of the National Bank's Board as dated December 26, 2016 No. 317 "On Approval of the Rules for Determining an Estimator".

List of Abbreviations Used

JSC	- a joint-stock company
bank	- a second-tier bank
GDP	- gross domestic product
USD	- US Dollar
EAEU	- Eurasian Economic Union
UAPF	- Joint-Stock Company “Unified Accumulation Pension Fund”
IMF	- the International Monetary Fund
mln.	- million
bln.	- billion
ISMT	- the Interbank System of Money Transfers
ICS	- the Interbank Clearing System
CIS	- the Commonwealth of Independent States
LLP	- a limited liability partnership
trln.	- trillion
thous.	- thousand
