Eurasian Bank JSC

Unconsolidated Financial Statements

for the year ended 31 December 2016

Contents

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Independent Auditors' Report

To the Board of Directors of Eurasian Bank JSC

Opinion

We have audited the unconsolidated financial statements of Eurasian Bank JSC (the "Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2016, the unconsolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2016, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans to customers	
Please refer to the Notes 3 (g)(i) and 16 in the unconsolidated financial statements.	
The key audit matter	***How the matter was addressed in our audit***
The impairment of loans to customers is estimated by management through the application of judgement and use of highly subjective assumptions. Due to the significance of loans to customers (representing 69.55% of total assets) and the related estimation uncertainty, this is considered a key audit matter. We paid particular attention to the assumptions and methodology used for the calculation of the impairment allowance for loans to customers with individual signs of impairment. We continued to pay attention to the impact of the recent significant depreciation of the Kazakhstan tenge on the recoverability of loans denominated in US Dollars (representing 28.97% of total loans to customers) as at 31 December 2016. In particular, loans to certain agricultural holdings amounting KZT 83,450,433 thousand demonstrated signs of impairment and had to be assessed individually.	Our audit procedures included evaluating and testing the Bank's key controls over the assessment of loan impairment, including controls over the approval, recording and monitoring of loans to customers, and evaluating the methodologies, inputs and assumptions used by the Bank in calculating collectively assessed impairments and determining the adequacy of impairment allowances for individually assessed loans to customers through forecast recoverable cash flows, including the realisation of collateral. We analysed the Bank's key inputs and assumptions for both collective and individual impairment allowances. As part of this, we critically assessed the Bank's revisions to estimates and assumptions in respect of historical loss rates, collateral valuation, discount rates and economic factors such as the recent devaluation of the Kazakhstan tenge against the US Dollar and considered the sensitivity of these inputs on the assessment of impairment. We challenged the appropriateness of the key assumptions used for collective impairment against our understanding of the Bank and its recent performance. This involved recalculation of provisioning rates based on the Bank's actual historic experience. We considered whether sales of loans in the period subsequent to reporting date provided a convincing evidence in respect of their impairment as at 31 December 2016 by assessing terms of the transactions.

Impairment of loans to customers, continued	
The key audit matter	***How the matter was addressed in our audit***
We also focused on the methodology used to calculate the impairment allowance for portfolios of loans to customers without individual signs of impairment.	For a sample of exposures that were subject to an individual impairment assessment, and focusing on those with the most significant potential impact on the unconsolidated financial statements, we specifically challenged the Bank's assumptions on the expected future cash flows, including the value of realisable collateral based on our own understanding and available market information.
The impairment on all loans to individuals is collectively assessed, with the key assumptions being the probability of an account falling into arrears and subsequently defaulting, the market value of any collateral provided and the estimated time and cost to sell any collateral repossessed by the Bank.	Our testing of loans to individuals assessed collectively included re-performance of the model calculations and validation of the data inputs in the model in order to assess the accuracy of performance of the collective impairment model. The assumptions inherent in the model were critically assessed against our understanding of the Bank, its recent performance and industry developments. We have assessed the methodology used by the Bank to calculate the propensity of accounts with different arrears profiles to move both into and out of default, and recalculated these rates based on the Bank's actual historic experience. These actual rates were compared to those assumed by the Bank to assess the reasonableness of the rates used in the collective impairment assessment. The assumptions for valuation and expected costs to sell collateral, were also assessed by comparing them to recent actual results and other market data. We also assessed whether the unconsolidated financial statement disclosures appropriately reflect the Bank's exposure to: credit risk, credit quality of loan portfolio and sensitivity of impairment allowance to changes in key assumptions.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Bank for 2016 but does not include the unconsolidated financial statements and our auditors' report thereon. The Annual Report of the Bank for 2016 is expected to be made available to us after the date of this auditors' report.

Our opinion on the unconsolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements, continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements, continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Ravshan Irmatov
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. МФ-0000053 of 6 January 2012

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Assel Khairova
General Director of KPMG Audit LLC
acting on the basis of the Charter

29 June 2017

	Note	2016 KZT'000	2015 KZT'000
Interest income	4	94,768,396	90,067,327
Interest expense	4	(61,769,825)	(48,269,191)
Net interest income	4	**32,998,571**	**41,798,136**
Fee and commission income	5	10,766,759	9,654,614
Fee and commission expense		(1,013,081)	(617,183)
Net fee and commission income		**9,753,678**	**9,037,431**
Net (loss)/gain on financial instruments at fair value through profit or loss	6	(5,087,713)	127,796,482
Net foreign exchange gain/(loss)	7	6,644,500	(129,258,291)
Net (loss)/gain on available-for-sale financial assets		(259,483)	10,699
Gain from sale of mortgage and consumer loans		177,676	544,333
Gain from acquisition of subsidiary	18	-	3,830,086
Other operating income/(expenses), net		1,374,433	(426,366)
Operating income		**45,601,662**	**53,332,510**
Impairment losses	8	(13,385,656)	(19,422,586)
Personnel expenses	9	(16,216,055)	(15,302,993)
Other general administrative expenses	10	(14,629,780)	(14,075,971)
Profit before income tax		**1,370,171**	**4,530,960**
Income tax benefit/(expense)	11	104,523	(893,457)
Profit for the year		**1,474,694**	**3,637,503**
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(177,999)	(98,620)
- Net change in fair value transferred to profit or loss		259,483	(10,699)
Total items that are or may be reclassified subsequently to profit or loss		81,484	(109,319)
Total other comprehensive income/(loss) for the year		**81,484**	**(109,319)**
Total comprehensive income for the year		**1,556,178**	**3,528,184**

The unconsolidated financial statements as set out on pages 9 to 89 were approved by management on 29 June 2017 and were signed on its behalf by:

Loginov P.V.
Chairman of the Management Board

Nelina L.N.
Chief Accountant

Еуразиялық Банк

The unconsolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	Note	2016 KZT'000	2015 KZT'000
ASSETS			
Cash and cash equivalents	12	96,670,667	73,681,092
Financial instruments at fair value through profit or loss	13	122,282,220	143,133,179
Available-for-sale financial assets	14	2,998,459	5,966,872
Deposits and balances with banks	15	3,601,512	6,978,553
Loans to customers	16	690,168,632	660,268,816
Held-to-maturity investments	17	23,614,279	23,196,649
Investment in subsidiary	18	7,097,853	7,097,853
Current tax asset		3,408,819	2,235,201
Property, equipment and intangible assets	19	24,733,023	24,822,425
Net assets receivable from merged subsidiary	18	-	11,779,202
Other assets	20	17,776,078	12,378,960
Total assets		**992,351,542**	**971,538,802**
LIABILITIES			
Financial instruments at fair value through profit or loss	13	10,091	165,039
Deposits and balances from banks	21	6,702,531	6,832,453
Amounts payable under repurchase agreements	22	-	2,648,490
Current accounts and deposits from customers	23	664,176,400	638,770,135
Debt securities issued	24	130,117,851	164,624,569
Subordinated debt securities issued	25	23,748,211	21,061,452
Other borrowed funds	26	55,138,154	43,773,936
Deferred tax liabilities	11	2,309,290	2,024,080
Other liabilities	27	16,548,919	13,847,711
Total liabilities		**898,751,447**	**893,747,865**
EQUITY			
Share capital	28	51,135,191	36,110,211
Share premium		2,025,632	2,025,632
Reserve for general banking risks		8,234,923	8,234,923
Dynamic reserve		7,594,546	6,733,233
Revaluation reserve for available-for-sale financial assets		(101,978)	(183,462)
Retained earnings		24,711,781	24,870,400
Total equity		**93,600,095**	**77,790,937**
Total liabilities and equity		**992,351,542**	**971,538,802**

The unconsolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	2016 KZT'000	2015 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	75,002,188	70,725,330
Interest payments	(60,335,108)	(49,789,565)
Fee and commission receipts	12,340,087	9,000,267
Fee and commission payments	(1,013,081)	(617,183)
Net receipts/(payments) for financial instruments at fair value through profit or loss	19,800,644	(6,754,365)
Net receipts from foreign exchange	2,563,459	4,053,282
Other receipts/(payments)	1,043,535	(450,714)
Personnel expenses	(17,595,227)	(15,008,444)
Other general administrative expenses payments	(10,812,070)	(9,517,277)
(Increase)/decrease in operating assets		
Deposits and balances with banks	3,386,947	7,541,460
Loans to customers	(18,471,178)	29,015,481
Other assets	(9,458,335)	6,760,998
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(505,200)	1,875,172
Amounts payable under repurchase agreements	(2,635,001)	(4,686,003)
Current accounts and deposits from customers	23,425,549	(120,806,809)
Other liabilities	5,340,358	(1,565,733)
Net cash from/(used in) operating activities before income tax paid	**22,077,567**	**(80,224,103)**
Income tax paid	(934,327)	(808,004)
Cash flows from/(used in) operating activities	**21,143,240**	**(81,032,107)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from acquisition of subsidiary	6,886,817	(7,949,116)
Contribution into share capital of subsidiary	-	(1,490,000)
Purchases of available-for-sale financial assets	(28,784,456)	(2,559,947)
Sale and repayment of available-for-sale financial assets	32,421,016	3,543,986
Purchases of held-to-maturity investments	(423,623,267)	(6,581,306)
Redemption of held-to-maturity investments	424,631,818	21,500,000
Purchases of property, equipment and intangible assets	(3,727,189)	(5,708,073)
Sales of property, equipment	783,401	530,797
Cash flows from investing activities	**8,588,140**	**1,286,341**

The unconsolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	2016 KZT'000	2015 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from debt securities issued	689,041	21,979,814
Repayment of debt securities issued	-	(19,970,349)
Repurchase of debt securities issued	(33,752,882)	(10,880,468)
Receipts from subordinated debt securities issued	2,000,705	-
Repayment of subordinated debt securities issued	-	(5,000,000)
Repurchase of subordinated debt securities issued	-	(12,543)
Receipts of other borrowed funds	18,760,272	13,553,841
Repayment of other borrowed funds	(7,469,839)	(9,368,880)
Proceeds from issuance of share capital	15,024,980	6,000,004
Dividends paid	(772,000)	-
Cash flows used in financing activities	**(5,519,723)**	**(3,698,581)**
Net increase/(decrease) in cash and cash equivalents	**24,211,657**	**(83,444,347)**
Effect of changes in exchange rates on cash and cash equivalents	(1,222,082)	47,308,968
Cash and cash equivalents as at the beginning of the year	73,681,092	109,816,471
Cash and cash equivalents as at the end of the year (Note 12)	**96,670,667**	**73,681,092**

The unconsolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Dynamic reserve**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total**
Balance as at 1 January 2015	30,110,207	2,025,632	8,234,923	6,733,233	(74,143)	21,232,897	68,262,749
Total comprehensive income							
Profit for the year	-	-	-	-	-	3,637,503	3,637,503
Other comprehensive loss							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets	-	-	-	-	(98,620)	-	(98,620)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	(10,699)	-	(10,699)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	*(109,319)*	-	*(109,319)*
Total other comprehensive loss	-	-	-	-	(109,319)	-	(109,319)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(109,319)**	**3,637,503**	**3,528,184**
Transactions with owners, recorded directly in equity							
Shares issued (Note 28 (a))	6,000,004	-	-	-	-	-	6,000,004
Balance as at 31 December 2015	**36,110,211**	**2,025,632**	**8,234,923**	**6,733,233**	**(183,462)**	**24,870,400**	**77,790,937**

The unconsolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

KZT'000	Share capital	Share premium	Reserve for general banking risks	Dynamic reserve	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total
Balance as at 1 January 2016	36,110,211	2,025,632	8,234,923	6,733,233	(183,462)	24,870,400	77,790,937
Total comprehensive income							
Profit for the year	-	-	-	-	-	1,474,694	1,474,694
Other comprehensive loss							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets	-	-	-	-	(177,999)	-	(177,999)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	259,483	-	259,483
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	*81,484*	-	*81,484*
Total other comprehensive income	-	-	-	-	81,484	-	81,484
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**81,484**	**1,474,694**	**1,556,178**
Transactions with owners, recorded directly in equity							
Shares issued (Note 28 (a))	15,024,980	-	-	-	-	-	15,024,980
Dividends declared (Note 28 (b))	-	-	-	-	-	(772,000)	(772,000)
Other movements in equity							
Transfer to dynamic reserve	-	-	-	861,313	-	(861,313)	-
Balance at 31 December 2016	**51,135,191**	**2,025,632**	**8,234,923**	**7,594,546**	**(101,978)**	**24,711,781**	**93,600,095**

The unconsolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

1 Background

(a) Organisation and operations

Eurasian Bank JSC (the "Bank") was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank operates based on general banking licence number 237 granted on 28 December 2007. The Bank also possesses licences number 0401100623 and number 0407100189 for brokerage, dealing and custodian activities. The principal activities of the Bank are deposit taking and customer account maintenance, lending, issuing guarantees, custodian services, cash and settlement operations, operations with securities and foreign exchange.

The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK").

As at 31 December 2016 the Bank has 16 regional branches (2015: 16) and 118 cash settlement centers (2015: 130) from which it conducts business throughout the Republic of Kazakhstan.

The registered address of the Bank's head office is 56 Kunayev str., Almaty, Republic of Kazakhstan. The majority of the Bank's assets and liabilities are located in the Republic of Kazakhstan.

On 1 April 2010 the Bank acquired a subsidiary, Eurasian Bank OJSC (Open Joint Stock Company), located in Moscow, Russian Federation. On 29 January 2015 the subsidiary was renamed to Eurasian Bank PJSC (Public Joint Stock Company) (Note 18).

On 30 December 2015 the Bank acquired a subsidiary, BankPozitiv Kazakhstan JSC, located in Almaty, Republic of Kazakhstan which was renamed to EU Bank (SB of Eurasian Bank JSC) JSC. On 31 December 2015 the sole shareholder of the Bank approved a reorganisation plan, under which EU Bank (SB of Eurasian Bank JSC) JSC was merged with the Bank (Note 18). On 3 May 2016 the actual merger of EU Bank (SB of Eurasian Bank JSC) JSC with the Bank took place.

(b) Shareholder

As at 31 December 2016 Eurasian Financial Company JSC ("EFC") is the Bank's Parent company, which owns 100.00% of the Bank's shares (2015: EFC owned 100.00% of the Bank's shares).

(c) Business environment

The Bank's operations are primarily located in the Republic of Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. Legal, tax and regulatory frameworks are being developed and are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Republic of Kazakhstan. The unconsolidated financial statements reflect the management's assessment of the impact of the Republic of Kazakhstan business environment on the operations and the unconsolidated financial position of the Bank. The future business environment may differ from the management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying unconsolidated financial statements are prepared in accordance with International Financial Reporting Standards.

The Bank also prepares consolidated financial statements for the year ended 31 December 2016 in accordance with IFRS that can be obtained from the Bank's head office at 56, Kunayev str., Almaty, the Republic of Kazakhstan.

2 Basis of preparation, continued

(b) Basis of measurement

The unconsolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Bank.

The KZT is also the presentation currency for the purposes of these unconsolidated financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- insurance agent services income – Note 5
- loan impairment estimates – Note 16
- estimates of fair value of financial assets and liabilities – Note 36
- financial instruments at fair value through profit or loss – Note 13.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these unconsolidated financial statements.

(a) Accounting for investments in subsidiaries in unconsolidated financial statements

Subsidiaries are investees controlled by the Bank. The Bank controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are accounted for at cost in these unconsolidated financial statements.

3 Significant accounting policies, continued

(b) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the unconsolidated statement of financial position.

(d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Classification, continued

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Bank has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss
- the Bank designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the unconsolidated statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments that are measured at amortised cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(iv) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference is credited or charged to profit or loss as gains or losses on origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the unconsolidated statement of financial position. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognised on its unconsolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Bank purchases its own debt, it is removed from the unconsolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Bank writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (“repo”) agreements are accounted for as secured financing transactions, with the securities retained in the unconsolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(viii) Repurchase and reverse repurchase agreements, continued

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(x) Offsetting

Financial assets and liabilities are offset and the net amount reported in the unconsolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- Buildings	40 to 100 years
- Computer and banking equipment	5 years
- Vehicles	7 years
- Furniture	8 to 10 years
- Leasehold improvements	5 years.

3 Significant accounting policies, continued

(f) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

- Trademark	10 years
- Computer software and other intangibles	7 years

(g) Impairment

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Bank determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables ("loans and receivables"). The Bank reviews its loans and receivables to assess impairment on a regular basis.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

3 Significant accounting policies, continued

(g) Impairment, continued

(i) Financial assets carried at amortised cost, continued

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan or receivable is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iv) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount.

Any impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies, continued

(h) Provisions

A provision is recognised in the unconsolidated statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(i) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except for the following cases:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss;
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments;
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;
- commitments to provide a loan at a below-market interest rate.

(j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

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

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred taxes. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

(i) Current tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3 Significant accounting policies, continued

(k) Taxation, continued

(ii) Deferred tax

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the Bank is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

(l) Income and expense recognition in the unconsolidated financial statements

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided. The Bank acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Bank from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Bank’s contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Bank does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Bank provides the agency service to the insurance company.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2016, and have not been applied in preparing these unconsolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Bank’s operations. The Bank plans to adopt these pronouncements when they become effective.

(a) IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments*: *Recognition and Measurement*, and includes requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the whole hybrid instrument is assessed for classification. Equity investments are measured at fair value.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Impairment. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. The new impairment model generally requires to recognise expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Under IFRS 9, impairment is measured as either expected credit losses resulting from default events on the financial instrument that are possible within the next 12 months (‘12-month ECL’) or expected credit losses resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Initial amount of expected credit losses recognised for a financial asset is equal to 12-month ECL (except for certain trade and lease receivables, and contract assets, or purchased or originated credit-impaired financial assets). If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

Financial assets for which 12-month ECL is recognised are considered to be in stage 1; financial assets that have experienced a significant increase in credit risk since initial recognition, but are not defaulted are considered to be in stage 2; and financial assets that are in default or otherwise credit-impaired are considered to be in stage 3.

Measurement of expected credit losses is required to be unbiased and probability-weighted, should reflect the time value of money and incorporate reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. Under IFRS 9, credit losses are recognised earlier than under IAS 39, resulting in increased volatility in profit or loss. It will also tend to result in an increased impairment allowance, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population with objective evidence of impairment identified under IAS 39.

Calculation of expected credit losses is likely to be based on the PDxLGDxEAD approach (at least for some portfolios), depending on the type of the exposure, stage at which the exposure is classified under IFRS 9, collective or individual assessment, etc.

Hedge accounting. The general hedge accounting requirements aim to simplify hedge accounting, aligning the hedge accounting more closely with risk management strategies. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project. IFRS 9 includes an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

(a) IFRS 9 *Financial Instruments*, continued

Transition. The classification and measurement and impairment requirements are generally applied retrospectively (with some exemptions) by adjusting the opening retained earnings and reserves at the date of initial application, with no requirement to restate comparative periods.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption of the standard is permitted. The Bank does not intend to adopt the standard earlier.

During the year ended 31 December 2016, the Bank performed gap analysis, impact analysis and prepared a Roadmap for transition to IFRS 9. Under this project there were created three working groups relating to Accounting, Risk Management and Information Technology. Based on the Roadmap there were prepared detailed action plans relating to transition to IFRS 9 to be implemented since June 2017.

(b) IFRS 16 *Leases*

IFRS 16 *Leases* replaces the existing lease accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted. The Bank does not intend to adopt this standard early. The Bank is assessing the potential impact on its unconsolidated financial statements resulting from the application of IFRS 16.

(c) Other amendments

The following new or amended standards are not expected to have a significant impact on the Bank's unconsolidated financial statements.

- IFRS 15 *Revenue from Contracts with Customers*
- *Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*)
- *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to IAS 12 *Income Taxes*)
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2 *Share-Based Payment*).

4 Interest income and expense

	2016 KZT'000	2015 KZT'000
Interest income		
Loans to customers	89,778,957	88,396,802
Held-to-maturity investments	3,047,290	1,089,082
Available-for-sale financial assets	1,076,086	195,420
Amounts receivable under reverse repurchase agreements	765,916	7,797
Cash and cash equivalents	72,679	83,006
Deposits and balances with banks	27,468	295,220
	94,768,396	**90,067,327**
Interest expense		
Current accounts and deposits from customers:	(43,670,455)	(30,899,941)
Debt securities issued	(12,455,653)	(10,695,416)
Subordinated debt securities issued	(2,219,406)	(2,579,239)
Other borrowed funds	(1,922,632)	(1,847,791)
Amounts payable under repurchase agreements	(1,244,597)	(1,985,055)
Deposits and balances from banks	(257,082)	(261,749)
	(61,769,825)	**(48,269,191)**
	32,998,571	**41,798,136**

Included within various line items under interest income for the year ended 31 December 2016 is a total of KZT 6,148,668 thousand (2015: KZT 7,344,986 thousand) accrued on individually impaired financial assets.

5 Fee and commission income

	2016 KZT'000	2015 KZT'000
Agent services	6,478,993	5,799,673
Settlement	1,292,034	1,190,282
Payment card maintenance fees	1,147,450	769,730
Cash withdrawal	948,474	962,795
Guarantee and letter of credit issuance	565,155	517,839
Custodian services	44,274	40,210
Cash delivery	39,039	57,151
Other	251,340	316,934
	10,766,759	**9,654,614**

The Bank provides insurance agent services. The Bank offers life insurance policies of different insurance companies for its point of sale of retail loans and is paid an agency fee proportionate to premiums subscribed. Acquisition of a life insurance policy is voluntary and is not a condition to obtain a loan, nor does it affect the interest rate on the loan, therefore the agent services fee was not considered as part of effective interest rate.

6 Net (loss)/gain on financial instruments at fair value through profit or loss

	2016 KZT'000	2015 KZT'000
Net unrealised gain on currency SWAPs	5,065,775	137,177,655
Net realised loss on financial instruments at fair value through profit or loss	(3,374,949)	(4,320,314)
Interest expense on currency SWAPs with NBRK	(6,778,539)	(5,060,859)
	(5,087,713)	**127,796,482**

7 Net foreign exchange gain/(loss)

	2016 KZT'000	2015 KZT'000
Dealing, net	2,563,459	4,053,282
Translation differences, net	4,081,041	(133,311,573)
	6,644,500	**(129,258,291)**

8 Impairment losses

	2016 KZT'000	2015 KZT'000
Loans to customers (Note 16)	12,167,594	18,956,270
Other assets (Note 20)	1,219,783	497,227
Provisions for contingent liabilities	(1,721)	(30,911)
	13,385,656	**19,422,586**

9 Personnel expenses

	2016 KZT'000	2015 KZT'000
Wages, salaries, bonuses and related taxes	15,501,659	14,541,572
Other employee costs	714,396	761,421
	16,216,055	**15,302,993**

10 Other general administrative expenses

	2016 KZT'000	2015 KZT'000
Depreciation and amortisation	4,109,600	4,304,442
Communication and information services	2,382,301	1,904,681
Operating lease expense	1,780,411	1,829,007
Advertising and marketing	1,215,556	1,095,562
Security	1,079,856	920,310
Taxes other than on income	953,282	1,087,185
Repairs and maintenance	577,732	485,046
Professional services	424,654	258,069
Services of state centre for pension payments	372,181	270,438
Cash delivery	228,917	228,041
Travel expenses	168,365	210,789
Insurance	142,455	106,710
Stationery and office supplies	140,817	108,086
Trainings	104,290	86,664
Transportation	53,381	53,561
Loan servicing	3,531	6,928
Representation expenses	2,380	4,294
Other	890,071	1,116,158
	14,629,780	**14,075,971**

11 Income tax (benefit)/expense

	2016 KZT'000	2015 KZT'000
Current tax (benefit)/expense		
Current year tax expense	57,491	758,547
Overprovided in prior years	(447,224)	(97,258)
	(389,733)	**661,289**
Deferred tax expense		
Origination and reversal of temporary differences	285,210	232,168
Total income tax (benefit)/expense	**(104,523)**	**893,457**

In 2016, the applicable tax rate for current and deferred taxes is 20% (2015: 20%).

Reconciliation of effective tax rate for the year ended 31 December:

	2016 KZT'000	%	2015 KZT'000	%
Profit before income tax	**1,370,171**	**100.00**	**4,530,960**	**100.00**
Income tax at the applicable income tax rate	274,034	20.00	906,192	20.00
Tax-exempt income on securities	(824,675)	(60.19)	(256,900)	(5.67)
Overprovided in prior years	(447,224)	(32.64)	(97,258)	(2.15)
Non-deductible expenses	893,342	65.20	341,423	7.54
	(104,523)	**(7.63)**	**893,457**	**19.72**

Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to a net deferred tax liability as at 31 December 2016 and 2015.

The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2016 and 2015 are as follows:

2016 KZT'000	**Balance 1 January 2016**	**Recognised in profit or loss**	**Balance 31 December 2016**
Loans to customers	(1,287,429)	(187,002)	(1,474,431)
Property, plant and equipment	(1,127,535)	(113,513)	(1,241,048)
Other assets	74,518	(32,075)	42,443
Interest payable on deposits and balances from banks	17,115	42,526	59,641
Other liabilities	299,251	4,854	304,105
	(2,024,080)	**(285,210)**	**(2,309,290)**

11 Income tax (benefit)/expense, continued

Deferred tax assets and liabilities

2015 KZT'000	Balance 1 January 2015	Recognised in profit or loss	Balance 31 December 2015
Loans to customers	(1,051,207)	(236,222)	(1,287,429)
Property, plant and equipment	(974,106)	(153,429)	(1,127,535)
Other assets	119,694	(45,176)	74,518
Financial instruments at fair value through profit or loss	(106,000)	106,000	-
Interest payable on deposits and balances from banks	35,049	(17,934)	17,115
Other liabilities	184,658	114,593	299,251
	(1,791,912)	**(232,168)**	**(2,024,080)**

12 Cash and cash equivalents

	2016 KZT'000	2015 KZT'000
Cash on hand	**39,257,250**	**26,606,752**
Nostro accounts with the NBRK	**11,544,657**	**26,332,242**
Nostro accounts with other banks		
- rated from AA- to AA+	14,643,526	5,587,252
- rated from A- to A+	2,579,203	6,501,455
- rated from BBB- to BBB+	4,897,447	2,386,399
- rated from BB- to BB+	890,839	1,204,134
- rated from B- to B+	542	559
- not rated	3,851,285	4,381,523
Total nostro accounts with other banks	**26,862,842**	**20,061,322**
Term deposits with other banks		
- rated below B+	-	680,776
Total term deposits with other banks	**-**	**680,776**
Amounts receivable under reverse repurchase agreements		
- not rated	19,005,918	-
Total amounts receivable under reverse repurchase agreements	**19,005,918**	**-**
Total cash and cash equivalents	**96,670,667**	**73,681,092**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

No cash and cash equivalents are impaired or past due as at 31 December 2016 and 2015.

As at 31 December 2016 the Bank has 2 banks (31 December 2015: 1 bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2016 is KZT 26,187,442 thousand (31 December 2015: KZT 26,332,242 thousand).

During 2016, the Bank entered into reverse repurchase agreements with counterparties on the Kazakhstan Stock Exchange. The agreements have been secured by the treasury bills of the Ministry of Finance of the Republic of Kazakhstan and discount notes of the NBRK. As at 31 December 2016, the fair value of financial assets that serve as collateral under reverse repurchase agreements is KZT 18,801,407 thousand.

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks' liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2016 the minimum reserve is KZT 11,886,721 thousand (31 December 2015: KZT 12,720,339 thousand).

13 Financial instruments at fair value through profit or loss

	2016 KZT'000	2015 KZT'000
Derivative financial instruments		
ASSETS		
Foreign currency contracts	122,282,220	143,133,179
	122,282,220	**143,133,179**
Derivative financial instruments		
LIABILITIES		
Foreign currency contracts	10,091	165,039
	10,091	**165,039**

No financial assets at fair value through profit or loss are past due.

Foreign currency contracts

The Bank had the following derivative financial instruments as at 31 December 2016 and 2015:

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by the Bank	Amounts receivable by the Bank	Fair value Asset KZT'000	Fair value Liability KZT'000
31 December 2016							
Foreign currency swaps with the NBRK	USD 700,000 thousand	July 2017 - November 2017	181.34	KZT 126,939,500 thousand	USD 700,000 thousand	122,270,066	-
Foreign currency swap	USD 2,000 thousand	9 January 2017	60.70	RUB 121,400 thousand	USD 2,000 thousand	7,378	-
Foreign currency swap	USD 30,000 thousand	5 January 2017	333.43	USD 30,000 thousand	KZT 10,002,950 thousand	4,250	-
Foreign currency swap	USD 5,500 thousand	4 January 2017	333.39	USD 5,500 thousand	KZT 1,833,621 thousand	526	-
Foreign currency swap	EUR 13,000 thousand	9 January 2017	1.06	EUR 13,000 thousand	USD 13,719 thousand	-	9,174
Foreign currency swap	USD 25,000 thousand	4 January 2017	333.25	USD 25,000 thousand	KZT 8,331,333 thousand	-	917
						122,282,220	**10,091**

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by the Bank	Amounts receivable by the Bank	Fair value Asset KZT'000	Fair value Liability KZT'000
31 December 2015							
Foreign currency swaps with the NBRK	USD 850,000 thousand	July 2016 – November 2017	181.73	KZT 154,467,500 thousand	USD 850,000 thousand	143,133,179	-
Foreign currency swap	USD 182,600 thousand	5 January 2016	343.72	KZT 62,763,846 thousand	USD 182,600 thousand	-	106,482
Foreign currency swap	EUR 7,000 thousand	11 January 2016	80.14	EUR 7,000 thousand	RUB 560,973 thousand	-	58,557
						143,133,179	**165,039**

13 Financial instruments at fair value through profit or loss, continued

Foreign currency contracts, continued

At 31 December 2016, the derivative financial instruments include currency swap agreements signed in 2014 with the NBRK, under which the Bank should deliver KZT 126,939,500 thousand in 2017 in exchange for USD 700,000,000. The Bank has prepaid a premium of KZT 7,105,110 thousand (2015: KZT 6,754,365 thousand), which equates to 3% p.a. in KZT at inception. The NBRK has a right to terminate the contract at any time prior to the maturity. As at 31 December 2016 the fair value of the swaps amounted to KZT 122,270,066 thousand (31 December 2015: KZT 143,133,179 thousand).

Net loss on swaps with NBRK included in net loss on financial instruments at fair value through profit or loss is KZT 4,718,132 thousand (2015: net gain of KZT 132,353,658 thousand).

Bank's approach to derivative transactions

The Bank enters into swap agreements and other types of over-the-counter transactions with broker-dealers or other financial institutions. A swap involves the exchange by the Bank with another party of their respective commitments to pay or receive cash flows, e.g. an exchange of floating rate payments for fixed-rate payments.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Bank's exposure to long or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the Bank's swap positions would increase or decrease depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Bank's investments.

The Bank's ability to realise a profit from such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Bank. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If a default occurs by the other party to such transaction, the Bank will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of the counterparty's insolvency.

14 Available-for-sale financial assets

	2016 KZT'000	**2015 KZT'000**
Held by the Bank		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	2,017,243	2,696,988
Corporate bonds		
- rated BBB- to BBB+	962,037	947,376
- rated from BB- to BB+	-	1,064,284
Equity investments		
Corporate shares	19,179	17,355
	2,998,459	**4,726,003**
Pledged under sale and repurchase agreements		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	-	1,240,869
Total available-for-sale financial assets	**2,998,459**	**5,966,872**

14 Available-for-sale financial assets, continued

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

Available-for-sale investments stated at cost comprise unquoted equity securities with a carrying value of KZT 19,179 thousand (31 December 2015: KZT 17,355 thousand). There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. No notes and bonds are overdue or impaired as at 31 December 2016 and 2015.

15 Deposits and balances with banks

	2016 KZT'000	2015 KZT'000
Term deposits		
- conditional deposit with NBRK	1,619,953	4,286,654
- rated from A- to A+	1,977,048	2,390,282
- rated from BB- to BB+	-	296,597
- rated from B- to B+	1,020	1,530
- not rated	3,491	3,490
Total deposits and balances with banks	**3,601,512**	**6,978,553**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

No deposits and balances with banks are overdue or impaired as at 31 December 2016 and 2015.

As at 31 December 2016 conditional deposit with the NBRK consists of funds of KZT 1,238,355 thousand (31 December 2015: KZT 3,899,766 thousand) received from the Development Bank of Kazakhstan JSC ("DBK JSC") and KZT 381,598 thousand (31 December 2015: KZT 386,888 thousand) received from DAMU Entrepreneurship Development Fund JSC ("DAMU EDF JSC") in accordance with the loan agreements with DBK and DAMU. Funds will be distributed to small and medium businesses on preferential terms. These funds may be withdrawn from the conditional deposit only after approval of DBK JSC and DAMU EDF JSC, respectively.

Concentration of deposits and balances with banks

As at 31 December 2016 no banks (31 December 2015: no banks) have balances that exceed 10% of equity.

16 Loans to customers

	2016 KZT'000	2015 KZT'000
Loans to corporate customers		
Loans to large corporates	412,637,028	352,587,129
Loans to small and medium size companies	30,174,372	37,916,321
Total loans to corporate customers	**442,811,400**	**390,503,450**
Loans to retail customers		
Car loans	131,545,542	156,033,178
Uncollateralised consumer loans	131,507,646	124,623,252
Mortgage loans	20,713,311	18,850,109
Small business loans	8,389,867	9,679,939
Loans collateralised by cash	8,917	855,398
Total loans to retail customers	**292,165,283**	**310,041,876**
Gross loans to customers	**734,976,683**	**700,545,326**
Impairment allowance	(44,808,051)	(40,276,510)
Net loans to customers	**690,168,632**	**660,268,816**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2016 are as follows:

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	10,834,650	29,441,860	40,276,510
Net charge	6,673,176	5,494,418	12,167,594
Write-offs	(1,300,167)	(6,210,186)	(7,510,353)
Effect of foreign currency translation	(57,765)	(67,935)	(125,700)
Balance at the end of the year	**16,149,894**	**28,658,157**	**44,808,051**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2015 are as follows:

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	7,748,753	24,340,031	32,088,784
Net charge	3,300,292	15,655,978	18,956,270
Write-offs	(1,222,239)	(11,695,183)	(12,917,422)
Effect of foreign currency translation	1,007,844	1,141,034	2,148,878
Balance at the end of the year	**10,834,650**	**29,441,860**	**40,276,510**

16 Loans to customers, continued

The following table provides information by types of loan products as at 31 December 2016:

	Gross amount KZT'000	Impairment allowance KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporates	412,637,028	(13,912,000)	398,725,028
Loans to small and medium size companies	30,174,372	(2,237,894)	27,936,478
Loans to retail customers			
Car loans	131,545,542	(6,212,715)	125,332,827
Uncollateralised consumer loans	131,507,646	(18,050,482)	113,457,164
Mortgage loans	20,713,311	(2,317,370)	18,395,941
Small business loans	8,389,867	(2,077,590)	6,312,277
Loans collateralised by cash	8,917	-	8,917
Total loans to customers at the end of the year	**734,976,683**	**(44,808,051)**	**690,168,632**

The following table provides information by types of loan products as at 31 December 2015:

	Gross amount KZT'000	Impairment allowance KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporates	352,587,129	(9,044,184)	343,542,945
Loans to small and medium size companies	37,916,321	(1,790,466)	36,125,855
Loans to retail customers			
Car loans	156,033,178	(4,680,820)	151,352,358
Uncollateralised consumer loans	124,623,252	(20,100,522)	104,522,730
Mortgage loans	18,850,109	(2,483,178)	16,366,931
Small business loans	9,679,939	(2,174,784)	7,505,155
Loans collateralised by cash	855,398	(2,556)	852,842
Total loans to customers at the end of the year	**700,545,326**	**(40,276,510)**	**660,268,816**

16 Loans to customers, continued

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2016 and 2015:

	2016 KZT'000	2015 KZT'000
Loans to corporate customers		
Loans to large corporates		
Unimpaired loans		
Standard not overdue loans	360,411,736	310,284,837
Overdue loans:		
- overdue 30-89 days	3,186,250	5,312,536
- overdue 90-179 days	949,007	-
- overdue 180-360 days	1,271,932	433,426
- overdue more than 360 days	290,358	142,771
Total unimpaired loans	366,109,283	316,173,570
Impaired loans:		
- not overdue	10,961,998	27,706,297
- overdue less than 90 days	26,039,746	159,571
- overdue more than 90 days and less than 360 days	535,822	6,654,471
- overdue more than 360 days	8,990,179	1,893,220
Total impaired loans	46,527,745	36,413,559
Total loans to large corporates	**412,637,028**	**352,587,129**
Impairment allowance on loans to large corporate	(13,912,000)	(9,044,184)
Net loans to large corporates	**398,725,028**	**343,542,945**
Loans to small and medium size companies		
Unimpaired loans		
Standard not overdue loans	18,255,459	24,702,892
Overdue loans:		
- overdue 30-89 days	3,173,637	589,050
- overdue 90-179 days	221,335	756,675
- overdue 180-360 days	37,789	276,895
- overdue more than 360 days	1,939,261	1,641,122
Total unimpaired loans	23,627,481	27,966,634
Impaired loans:		
- not overdue	23	163,274
- overdue more than 90 days and less than 360 days	551,311	4,830,698
- overdue more than 360 days	5,995,557	4,955,715
Total impaired loans	6,546,891	9,949,687
Total loans to small and medium size companies	**30,174,372**	**37,916,321**
Impairment allowance on loans to small and medium size companies	(2,237,894)	(1,790,466)
Net loans to small and medium size companies	**27,936,478**	**36,125,855**
Total loans to corporate customers	**442,811,400**	**390,503,450**
Total impairment allowance on loans to corporate customers	(16,149,894)	(10,834,650)
Total net loans to corporate customers	**426,661,506**	**379,668,800**

16 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	2016 KZT'000	2015 KZT'000
Loans to retail customers		
Car loans		
- not overdue	109,385,112	131,647,542
- overdue less than 30 days	6,552,499	6,729,510
- overdue 30-89 days	1,910,515	3,412,328
- overdue 90-179 days	1,629,185	2,906,980
- overdue 180-360 days	2,628,688	5,049,849
- overdue more than 360 days	9,439,543	6,286,969
Total car loans	**131,545,542**	**156,033,178**
Impairment allowance on car loans	(6,212,715)	(4,680,820)
Net car loans	**125,332,827**	**151,352,358**
Uncollateralised consumer loans		
- not overdue	95,688,946	81,140,466
- overdue less than 30 days	5,599,440	6,083,294
- overdue 30-89 days	2,139,420	2,980,002
- overdue 90-179 days	1,646,390	4,257,483
- overdue 180-360 days	3,458,258	7,551,005
- overdue more than 360 days	22,975,192	22,611,002
Total uncollateralised consumer loans	**131,507,646**	**124,623,252**
Impairment allowance on uncollateralised consumer loans	(18,050,482)	(20,100,522)
Net uncollateralised consumer loans	**113,457,164**	**104,522,730**
Mortgage loans		
- not overdue	12,640,026	10,016,274
- overdue less than 30 days	825,356	1,368,139
- overdue 30-89 days	352,433	305,992
- overdue 90-179 days	548,575	557,801
- overdue 180-360 days	491,766	500,464
- overdue more than 360 days	5,855,155	6,101,439
Total mortgage loans	**20,713,311**	**18,850,109**
Impairment allowance on mortgage loans	(2,317,370)	(2,483,178)
Net mortgage loans	**18,395,941**	**16,366,931**
Small business loans		
- not overdue	4,064,782	4,999,771
- overdue less than 30 days	114,774	165,081
- overdue 30-89 days	100,645	124,600
- overdue 90-179 days	16,187	64,992
- overdue 180-360 days	83,086	372,937
- overdue more than 360 days	4,010,393	3,952,558
Total small business loans	**8,389,867**	**9,679,939**
Impairment allowance on small business loans	(2,077,590)	(2,174,784)
Net small business loans	**6,312,277**	**7,505,155**
Loans collateralised by cash		
- not overdue	8,917	855,398
Total net loans collateralised by cash	**8,917**	**855,398**
Impairment allowance on loans collateralised by cash	-	(2,556)
Net loans collateralised by cash	**8,917**	**852,842**
Total loans to retail customers	**292,165,283**	**310,041,876**
Total impairment allowance on loans to retail customers	(28,658,157)	(29,441,860)
Total net loans to retail customers	**263,507,126**	**280,600,016**
Total loans to customers	**734,976,683**	**700,545,326**
Total impairment allowance on loans to customers	(44,808,051)	(40,276,510)
Total net loans to customers	**690,168,632**	**660,268,816**

16 Loans to customers, continued

(b) Key assumptions and judgements for estimating the loan impairment

(i) Loans to corporate customers

The Bank estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for loans to corporate customers, management makes the following key assumptions:

- historical annual loss rates of 0.28-0.72% p.a.;
- a discount of between 15% and 50% to the originally appraised value if the property pledged is sold;
- a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2016 would be KZT 4,266,615 thousand lower/higher (31 December 2015: KZT 3,796,688 thousand lower/higher).

(ii) Loans to retail customers

The Bank estimates loan impairment for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 2-6 years;
- recovery rates for uncollateralised loans are estimated based on historical cash recovery rates for the past 2-6 years, adjusted for more recent recovery experience based on 'payment request orders' ("PTP"), which are sent to other banks in Kazakhstan to request payments in case of the existence of current accounts or deposits of the Bank's borrowers in those banks. The PTP programme was launched in May 2013 and collections continued to grow through 2015-2016. Management believes that the Bank will continue to be able to maintain collections from PTP based on the 2015-2016 pattern. If the Bank did not take into account the effect of the PTP programme, the impairment allowance on loans to retail customers as at 31 December 2016 would be KZT 5,406,687 thousand higher (31 December 2015: KZT 8,998,774 thousand higher)
- a discount of between 15% and 50% to the annually appraised value if the property pledged is sold;
- a delay of 24 months in obtaining proceeds from the foreclosure of collateral, there are no significant legal impediments for foreclosure of cars pledged as collateral that could extend realisation period beyond expected time;
- the cars will either be foreclosed without significant damages or the damages will be reimbursed by insurance companies and the sales will be done at market prices prevailing at the reporting date less reasonable handling expenses and liquidity discounts; when assessing the realisation value of cars, the effect of devaluation of Kazakhstani tenge is taken into account.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to retail customers as at 31 December 2016 would be KZT 7,905,214 thousand lower/higher (31 December 2015: KZT 8,418,000 thousand lower/higher).

16 Loans to customers, continued

(c) Analysis of collateral

(i) Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers to provide it.

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral:

31 December 2016 KZT'000	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as at reporting date	Fair value of collateral - for collateral assessed as at loan inception date	Fair value of collateral not determined
Unimpaired loans				
Real estate	110,979,269	109,765,190	1,214,079	-
Insurance	57,611,522	-	-	57,611,522
Future contract revenues	44,129,102	-	-	44,129,102
Equipment	28,520,127	28,515,159	4,968	-
Corporate guarantees (unrated) and guarantees of individuals	25,674,983	-	-	25,674,983
Motor vehicles	17,796,966	17,790,821	6,145	-
Subsoil use	7,583,869	7,583,869	-	-
Construction in progress	1,484,617	1,484,617	-	-
Cash and deposits	1,057,776	1,057,776	-	-
Goods in turnover	649,188	649,188	-	-
Other	7,573,404	-	-	7,573,404
No collateral or other credit enhancement	83,673,672	-	-	83,673,672
Total unimpaired loans	**386,734,495**	**166,846,620**	**1,225,192**	**218,662,683**
Impaired loans				
Future contract revenues	16,745,897	-	-	16,745,897
Real estate	8,715,593	8,715,593	-	-
Construction in progress	5,837,375	5,837,375	-	-
Corporate guarantees (unrated) and guarantees of individuals	3,596,713	-	-	3,596,713
Equipment	1,072,114	1,072,114	-	-
Motor vehicles	571,670	571,670	-	-
Goods in turnover	133,397	133,397	-	-
Cash and deposits	21,905	21,905	-	-
Other	162,083	-	-	162,083
No collateral or other credit enhancement	3,070,264	-	-	3,070,264
Total impaired loans	**39,927,011**	**16,352,054**	**-**	**23,574,957**
Total loans to corporate customers	**426,661,506**	**183,198,674**	**1,225,192**	**242,237,640**

16 Loans to customers, continued

(c) Analysis of collateral, continued

(i) Loans to corporate customers, continued

31 December 2015 KZT'000	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as at reporting date	Fair value of collateral - for collateral assessed as at loan inception date	Fair value of collateral not determined
Unimpaired loans				
Insurance	101,791,325	-	-	101,791,325
Real estate	82,641,828	81,304,276	1,337,552	-
Future contract revenues	41,989,364	-	-	41,989,364
Grain	36,409,524	36,409,524	-	-
Motor vehicles	21,335,657	21,331,605	4,052	-
Corporate guarantees (unrated) and guarantees of individuals	18,675,745	-	-	18,675,745
Cash and deposits	10,625,774	10,625,774	-	-
Equipment	10,444,853	10,444,853	-	-
Subsoil use	5,981,535	5,981,535	-	-
Construction in progress	2,744,142	2,744,142	-	-
Goods in turnover	662,930	662,930	-	-
Other	252,815	-	-	252,815
No collateral or other credit enhancement	7,095,652	-	-	7,095,652
Total unimpaired loans	**340,651,144**	**169,504,639**	**1,341,604**	**169,804,901**
Impaired loans				
Future contract revenues	11,573,497	-	-	11,573,497
Real estate	11,721,012	11,721,012	-	-
Grain	3,733,724	3,733,724	-	-
Construction in progress	2,005,022	2,005,022	-	-
Goods in turnover	1,418,800	1,418,800	-	-
Insurance	1,219,316	-	-	1,219,316
Corporate guarantees (unrated) and guarantees of individuals	1,077,492	-	-	1,077,492
Equipment	912,784	912,784	-	-
Motor vehicles	280,835	280,835	-	-
Cash and deposits	15,627	15,627	-	-
No collateral or other credit enhancement	5,059,547	-	-	5,059,547
Total impaired loans	**39,017,656**	**20,087,804**	**-**	**18,929,852**
Total loans to corporate customers	**379,668,800**	**189,592,443**	**1,341,604**	**188,734,753**

The tables above exclude the effect of overcollateralisation. In accordance with the recommendations of NBRK future contract revenues are not considered as sufficient collateral for loan impairment allowance calculation. As at 31 December 2016 loans to corporate customers with carrying amount of KZT 60,874,999 thousand (31 December 2015: 53,562,861 thousand) are covered by future contract revenues.

The Bank has loans, for which fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

16 Loans to customers, continued

(c) Analysis of collateral, continued

(i) Loans to corporate customers, continued

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Bank does not necessarily update the valuation of collateral as at each reporting date.

(ii) Loans to retail customers

Mortgage loans are secured by underlying housing real estate. Small business loans are secured by real estate and movable property. Car loans are secured by the underlying cars. Cash loans are collateralised by cash. Uncollateralised consumer loans are not secured.

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 6,300,765 thousand (31 December 2015: KZT 4,459,190 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 1,940,024 thousand (31 December 2015: KZT 1,811,614 thousand).

For mortgage loans with a net carrying amount of KZT 12,095,176 thousand (31 December 2015: KZT 12,781,763 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral once a half-year in case there are indications of impairment.

For mortgage loans with a net carrying amount of KZT 8,326,396 thousand (31 December 2015: KZT 4,108,761 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Car loans

Management estimates that the impairment allowance for secured car loans would have been higher by KZT 3,253,475 thousand (31 December 2015: KZT 6,161,624 thousand) for car loans without any collateral.

Loans to small businesses

Included in small business loans are loans with a net carrying amount of KZT 739,160 thousand (31 December 2015: KZT 1,497,976 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 358,679 thousand (31 December 2015: KZT 109,697 thousand).

For small business loans with a net carrying amount of KZT 5,573,117 thousand (31 December 2015: KZT 6,007,604 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Bank updates the appraised values of collateral obtained at inception of the loan to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral for individual loans once a half-year in case there are indications of impairment.

For small business loans with a net carrying amount of KZT 906,611 thousand (31 December 2015: KZT 2,728,670 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

16 Loans to customers, continued

(d) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	2016 KZT'000	2015 KZT'000
Loans to corporate customers		
Wholesale trade	140,481,547	157,805,616
Construction	65,158,138	47,340,468
Agriculture, forestry and timber industry	46,502,849	44,389,509
Mining/metallurgy	36,099,701	38,798,655
Transport	32,726,327	32,351,484
Manufacturing	24,034,456	21,801,551
Retail trade	31,484,968	13,580,047
Textile manufacturing	17,388,650	520,864
Services	10,656,055	10,522,477
Lease, rental and leasing	11,947,753	4,988,306
Foods production	11,797,260	6,922,982
Research activities	4,471,500	4,789,800
Real estate	1,749,449	253,052
Medical and social care	1,078,750	1,084,209
Financial intermediary	719,155	1,180,924
Publishing	286,756	295,029
Electrical power generation and supply	109,004	305,427
Entertainment	31,567	1,056,603
Other	6,087,515	2,516,447
Loans to retail customers		
Car loans	131,545,542	156,033,178
Uncollateralised consumer loans	131,507,646	124,623,252
Mortgage loans	20,713,311	18,850,109
Small business loans	8,389,867	9,679,939
Loans collateralised by cash	8,917	855,398
	734,976,683	**700,545,326**
Impairment allowance	(44,808,051)	(40,276,510)
	690,168,632	**660,268,816**

As at 31 December 2016 the Bank has 18 borrowers or groups of connected borrowers (31 December 2015: 16), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2016 is KZT 258,824,907 thousand (31 December 2015: KZT 223,191,731 thousand).

(e) Loan maturities

The maturity of the loan portfolio as at the reporting date is presented in Note 30 (d) which shows the remaining period from the reporting date to the contractual maturity of the loans.

(f) Transfers of financial assets

During 2016, the Bank sold to a third party a portfolio of impaired consumer loans with a carrying value of KZT 5,856,232 thousand (2015: KZT 4,628,847 thousand) for KZT 5,856,232 thousand (in 2015: KZT 5,011,587 thousand) under cession agreements. During 2015, the net gain recognised in the unconsolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 382,740 thousand.

16 Loans to customers, continued

(f) Transfers of financial assets, continued

In June 2014, the Bank sold to another third party a portfolio of mortgage loans with a carrying value of KZT 3,820,407 thousand for KZT 3,969,928 thousand and provided a guarantee to the buyer that it will repurchase individual loans back or exchange them for other individual loans if loans become delinquent for more than sixty days. The amount that will be repurchased or exchanged is limited to 20% of transferred financial assets at the date of sale. Net gain recognised in the unconsolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 149,521 thousand. The Bank has determined that it has transferred some but not substantially all of the risks and rewards to the transferee, accordingly the Bank retains control and continues to recognise the loans to the extent of its continuing involvement in that mortgage loans.

As at 31 December 2016 the Bank's continuing involvement with such transferred portfolio is recorded in the unconsolidated statement of financial position in other assets (Note 20) of KZT 2,179,719 thousand (31 December 2015: KZT 4,598,237 thousand) with corresponding liability on continuing involvement included in other liabilities of KZT 1,373,575 thousand (31 December 2015: KZT 3,715,041 thousand) (Note 27) and the guarantee with the fair value of KZT 179,729 thousand (31 December 2015: KZT 190,273 thousand) recognised in other liabilities. This asset includes also an interest strip receivable of KZT 1,255,539 thousand (31 December 2015: KZT 1,352,533 thousand) which represents the right to withhold from the loan buyer a portion of interest receivable on mortgage loan portfolio sold. The Bank has a right to receive 1.7% p.a. of the mortgage loan portfolio sold on a monthly basis.

17 Held-to-maturity investments

	2016 KZT'000	2015 KZT'000
Held by the Bank		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	18,668,207	16,416,301
Corporate bonds rated from BB- to BB+	4,946,072	5,075,031
	23,614,279	**21,491,332**
Pledged under repurchase agreements		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	-	1,705,317
	23,614,279	**23,196,649**

The credit ratings are presented by reference to the credit ratings of Fitch's credit ratings agency or analogues of similar international agencies.

No notes or bonds are overdue or impaired as at 31 December 2016 and 2015.

18 Investments in subsidiary

As at 31 December 2016, the Bank has one subsidiary, which is accounted for at cost.

Name	Country of incorporation	Activities	Ownership interest,% 31 December 2016	Carrying amount KZT'000 31 December 2016	Ownership interest,% 31 December 2015	Carrying amount KZT'000 31 December 2015
Eurasian Bank PJSC, Moscow	The Russian Federation	Banking	99.99	7,097,853	99.99	7,097,853
				7,097,853		**7,097,853**

18 Investments in subsidiary, continued

On 1 April 2010, the Bank acquired 99.99% share in the Russian bank Bank Troika Dialog OJSC from third parties for a total consideration of USD 22,075 thousand and RUR 150 thousand, satisfied in cash. The sole shareholder of Bank acquired the remaining 0.01% share for USD 0.09.

In February 2015, the Bank made additional contribution into subsidiary's share capital in the amount of KZT 1,490,000 thousand.

On 30 December 2015, the Bank acquired a subsidiary, BankPozitiv Kazakhstan JSC, located in Almaty, Republic of Kazakhstan which was subsequently renamed to EU Bank JSC (Subsidiary Bank of Eurasian Bank JSC). On 31 December 2015, the sole shareholder of the Bank approved a reorganisation plan, under which EU Bank JSC (Subsidiary Bank of Eurasian Bank JSC) merged with its parent bank. On 3 May 2016, EU Bank JSC (Subsidiary Bank of Eurasian Bank JSC) actually merged with the Bank.

Total fair value of identified net assets was determined on the basis of valuation report of the independent appraiser amounted to KZT 11,779,202 thousand. The difference between the fair value of net assets of subsidiary of KZT 11,779,202 thousand and investment in subsidiary of KZT 7,949,116 thousand equalled KZT 3,830,086 thousand and was recognised as gain on merge of a subsidiary in the unconsolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

19 Property, equipment and intangible assets

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademark	Software and other intangibles	Total
Cost									
Balance as at 1 January 2016	11,534,127	14,104,264	782,609	829,574	268,144	920,737	1,075,716	10,229,797	39,744,968
Additions	466,241	1,103,513	25,422	18,938	887	13,113	-	2,721,146	4,349,260
Disposals	(67,238)	(266,376)	(46,004)	(19,841)	(254,899)	(15,816)	-	(35,670)	(705,844)
Balance at 31 December 2016	**11,933,130**	**14,941,401**	**762,027**	**828,671**	**14,132**	**918,034**	**1,075,716**	**12,915,273**	**43,388,384**
Depreciation and amortization									
Balance as at 1 January 2016	(1,712,135)	(7,726,661)	(394,526)	(340,523)	-	(450,124)	(455,396)	(3,843,178)	(14,922,543)
Depreciation and amortisation for the year	(147,448)	(1,929,016)	(95,969)	(84,727)	-	(143,406)	(103,409)	(1,605,625)	(4,109,600)
Disposals	15,850	258,627	33,317	17,502	-	15,816	-	35,670	376,782
Balance at 31 December 2016	**(1,843,733)**	**(9,397,050)**	**(457,178)**	**(407,748)**	**-**	**(577,714)**	**(558,805)**	**(5,413,133)**	**(18,655,361)**
Carrying amount									
At 31 December 2016	**10,089,397**	**5,544,351**	**304,849**	**420,923**	**14,132**	**340,320**	**516,911**	**7,502,140**	**24,733,023**

19 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Computers and banking equipment	Vehicles	Office furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademark	Software and other intangibles	Total
Cost									
Balance at 1 January 2015	11,111,288	12,729,185	823,500	804,154	483,178	892,661	1,075,716	6,294,645	34,214,327
Additions	-	1,756,763	68,708	42,486	231,503	31,808	-	4,520,346	6,651,614
Transfers	422,895	-	-	-	(422,895)	-	-	-	-
Disposals	(56)	(381,684)	(109,599)	(17,066)	(23,642)	(3,732)	-	(585,194)	(1,120,973)
Balance at 31 December 2015	**11,534,127**	**14,104,264**	**782,609**	**829,574**	**268,144**	**920,737**	**1,075,716**	**10,229,797**	**39,744,968**
Depreciation and amortization									
Balance at 1 January 2015	(1,444,854)	(5,832,606)	(413,653)	(273,159)	-	(315,784)	(351,985)	(3,023,479)	(11,655,520)
Depreciation and amortisation for the year	(267,281)	(2,249,131)	(85,472)	(82,445)	-	(138,072)	(103,411)	(1,378,630)	(4,304,442)
Disposals	-	355,076	104,599	15,081	-	3,732	-	558,931	1,037,419
Balance at 31 December 2015	**(1,712,135)**	**(7,726,661)**	**(394,526)**	**(340,523)**	**-**	**(450,124)**	**(455,396)**	**(3,843,178)**	**(14,922,543)**
Carrying amount									
At 31 December 2015	**9,821,992**	**6,377,603**	**388,083**	**489,051**	**268,144**	**470,613**	**620,320**	**6,386,619**	**24,822,425**

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2016 and 2015.

20 Other assets

	2016 KZT'000	2015 KZT'000
Debtors on loan operations	8,833,361	1,684,049
Plastic cards settlements	4,166,065	1,673,205
Asset from continuing involvement in transferred assets (Note 16 (f))	2,179,719	4,598,237
Fee and commission income accrued	387,597	1,960,925
Other	1,497,312	1,208,098
Impairment allowance	(1,857,680)	(657,908)
Total other financial assets	**15,206,374**	**10,466,606**
Prepayments	1,163,648	560,663
Taxes prepaid other than income tax	635,732	183,890
Materials and supplies	589,932	400,085
Advances for capital expenditures	180,392	767,716
Total other non-financial assets	**2,569,704**	**1,912,354**
Total other assets	**17,776,078**	**12,378,960**

Debtors on loan operations primarily comprise amounts receivable on assignment of claims on loans issued of KZT 4,300,000 thousand and KZT 2,665,484 thousand; the receivables are due in November 2017 and 2019, respectively.

Asset from continuing involvement in transferred assets in the amount of KZT 2,179,719 thousand (31 December 2015: KZT 4,598,237 thousand) arose as a result of loans sales to a mortgage company in June 2014 and December 2013.

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the years ended 31 December are as follows:

	2016 KZT'000	2015 KZT'000
Balance at the beginning of the year	657,908	850,977
Net charge	1,219,783	497,227
Write-offs	(14,793)	(773,296)
Effect of foreign currency translation	(5,218)	83,000
Balance at the end of the year	**1,857,680**	**657,908**

As at 31 December 2016, included in other assets are overdue receivables of KZT 55,442 thousand (31 December 2015: KZT 31,532 thousand) of which KZT 22,244 thousand are overdue for more than 90 days but less than one year (31 December 2015: KZT 4,944 thousand) and KZT 19,709 thousand are overdue for more than one year (31 December 2015: KZT 18,370 thousand).

21 Deposits and balances from banks

	2016 KZT'000	2015 KZT'000
Term deposits	3,929,099	4,953,729
Vostro accounts	2,773,432	1,878,724
	6,702,531	**6,832,453**

22 Amounts payable under repurchase agreements

Securities pledged

As at 31 December 2016, the Bank had no securities pledged as collateral under repurchase agreements (31 December 2015: had securities pledged as collateral under repurchase agreements) (Notes 14 and 17)

23 Current accounts and deposits from customers

	2016 KZT'000	2015 KZT'000
Current accounts and demand deposits		
- Retail	21,773,285	30,901,265
- Corporate	73,877,245	68,924,513
Term deposits		
- Retail	273,347,306	243,852,808
- Corporate	295,178,564	295,091,549
	664,176,400	**638,770,135**

As at 31 December 2016, the Bank maintains customer deposit balances of KZT 3,701,598 thousand (31 December 2015: KZT 14,854,563 thousand) that serve as collateral for loans, guarantees and letters of credits granted by the Bank.

As at 31 December 2016, the Bank has 10 customers (31 December 2015: 12 customers), whose balances exceed 10% of equity. These balances as at 31 December 2016 are KZT 194,726,581 thousand (31 December 2015: KZT 197,794,583 thousand).

24 Debt securities issued

	2016 KZT'000	2015 KZT'000
Par value	130,028,196	166,034,680
Discount	(1,681,325)	(3,357,887)
Accrued interest	1,770,980	1,947,776
	130,117,851	**164,624,569**

A summary of bond issues at 31 December 2016 and 2015 is presented below:

					Carrying amount	
	Issue registration date	Date of repayment	Coupon rate	Effective rate	2016 KZT'000	2015 KZT'000
Bonds of the fifth issue	09-Jul-08	01-Sep-23	Inflation +1%	14.88%	7,903,222	7,641,194
Bonds of the seventh issue	24-Sep-08	21-Jan-19	Inflation +1%	13.35%	1,469,977	1,460,037
USD denominated eurobonds	06-Nov -14	06-Nov-17	7.50%	8.58%	120,744,652	155,523,338
					130,117,851	**164,624,569**

25 Subordinated debt securities issued

	2016 KZT'000	2015 KZT'000
Par value	27,464,550	24,969,550
Discount	(4,236,822)	(4,069,848)
Accrued interest	520,483	161,750
	23,748,211	**21,061,452**

As at 31 December 2016 and 2015, subordinated debt securities issued comprise unsecured obligations of the Bank. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Bank.

A summary of bond issues at 31 December 2016 and 2015 is presented below:

	Issue registration date	Date of repayment	Coupon rate	Effective rate	Carrying amount 2016 KZT'000	Carrying amount 2015 KZT'000
Bonds of the eighth issue	15-Oct-08	15-Oct-23	Inflation +1%	19.47%	11,837,039	11,268,920
Bonds of the eleventh issue	20-Nov-12	26-Dec-19	8.00%	8.64%	9,838,980	9,792,532
Bonds of the thirteenth issue	26-Nov-13	10-Jan-24	9.00%	13.81%	2,072,192	-
					23,748,211	**21,061,452**

Embedded derivatives represented by inflation-indexed coupon payments are considered to be closely related to the host debt instruments as the inflation index is commonly used for this purpose in the KZT economic environment and it is not leveraged and accordingly has not been separated from the underlying data.

26 Other borrowed funds

	2016 KZT'000	2015 KZT'000
Loans from state financial institutions	49,971,447	39,319,092
Loans from the Ministry of Finance of the Republic of Kazakhstan	1,213,942	1,398,738
Loans from foreign banks	3,952,765	3,056,106
	55,138,154	**43,773,936**

As at 31 December 2016, the terms and debt repayment schedule are as follows:

	Currency	Average interest	Year of maturity	Carrying value, KZT'000
Development Bank of Kazakhstan JSC	KZT	1.00-8.75%	2017-2035	22,151,719
DAMU Entrepreneurship Development Fund JSC	KZT	1.10-8.50%	2017-2035	16,713,772
KazAgro National Management Holding JSC	KZT	3.00%	2020-2021	10,095,956
Agrarian Credit Corporation JSC	KZT	10.00%	2019	1,010,000
Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2024-2026	706,238
Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2024-2025	507,704
Foreign banks	USD	4.96-5.37%	2017	3,952,765
				55,138,154

26 Other borrowed funds, continued

As at 31 December 2015, the terms and debt repayment schedule are as follows:

	Currency	Average interest rate	Year of maturity	Carrying value, KZT'000
DAMU Entrepreneurship Development Fund JSC	KZT	1.10-8.50%	2016-2035	18,892,054
KazAgro National Management Holding JSC	KZT	3.00%	2016-2021	12,491,198
Development Bank of Kazakhstan JSC	KZT	1.00-2.00%	2034-2035	7,935,840
Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2024-2026	807,213
Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2024-2025	591,525
Foreign banks	USD	4.72-4.82%	2016	3,056,106
				43,773,936

Loans from the KazAgro National Management Holding JSC ("KazAgro") were received in accordance with the rules of its programme on financial recovery of companies operating in the agriculture industry. Loans from Agrarian Credit Corporation JSC ("ACC JSC") were received under lending programme to the agriculture industry entities for purchase of large-horned animal stock. Loans from DAMU EDF JSC and DBK JSC were received in accordance with the Government program ("the Program") to finance large corporates, small and medium enterprises ("SME") operating in certain industries.

According to the loan agreements between KazAgro and the Bank, the Bank is responsible to extend loans to companies operating in the agriculture industry to support their financial recovery. According to the loan agreements between ACC JSC and the Bank, the Bank is responsible to extend loans to companies operating in the agriculture industry for purchase of cattle stock. According to DAMU EDF JSC and DBK JSC loan agreements, the Bank commits to extend loans to large corporates and SME borrowers, eligible to participate in the Program, with maximum maturity up to 10 years at 6.00% interest rate. Management of the Bank believes that due to their specific nature, the loans from KazAgro, ACC JSC, DAMU EDF JSC and DBK JSC represent a separate segment of borrowings from state companies to support companies operating in certain industries. As a result, the loans from KazAgro, ACC JSC, DAMU EDF JSC and DBK JSC are regarded as having been received on an "arm's length" basis and, as such, the amount received under the loans represents the fair value of the loans on initial recognition.

27 Other liabilities

	2016 KZT'000	2015 KZT'000
Prepayments for loans	6,162,400	4,287,777
Plastic cards settlements	3,681,874	1,496,979
Payables to borrowers on lending operations	1,896,593	146,064
Liability from continuing involvement (Note 16 (f))	1,373,575	3,715,041
Accrued administrative expenses	486,318	340,978
Payables to insurance company	302,180	335,609
Capital expenditures payables	35,323	54,675
Other financial liabilities	1,166,655	1,459,156
Total other financial liabilities	**15,104,918**	**11,836,279**
Other taxes payable	548,512	718,052
Deferred income	524,986	329,921
Vacation reserve	258,523	425,447
Payables to employees	111,947	537,846
Other non-financial liabilities	33	166
Total other non-financial liabilities	**1,444,001**	**2,011,432**
Total other liabilities	**16,548,919**	**13,847,711**

27 Other liabilities, continued

Prepayments for loans comprise payments made by retail borrowers ahead of schedule. These payments are settled against the loan balance at the date the instalments fall due.

28 Share capital

(a) Issued capital and share premium

The authorised share capital comprises 33,000,000 ordinary shares (2015: 33,000,000 ordinary shares) and 3,000,000 non-redeemable cumulative preference shares (2015: 3,000,000).

During 2016, 2,300,000 ordinary shares were issued and paid at the nominal value of KZT 6,532.60 per share (2015: 918,471 ordinary shares were issued and paid at the nominal value of KZT 6,532.60 per share).

Issued and outstanding share capital as at 31 December comprised of the following fully paid ordinary shares:

	2016 Shares	2015 Shares
Issued at KZT 955.98	8,368,300	8,368,300
Issued at KZT 1,523.90	2,631,500	2,631,500
Issued at KZT 1,092.00	2,930,452	2,930,452
Issued at KZT 6,532.60	5,499,352	3,199,352
Total issued and outstanding shares	**19,429,604**	**17,129,604**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general Bank's shareholders meetings.

(b) Dividends

In accordance with Kazakhstan legislation the Bank's distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory unconsolidated financial statements prepared in accordance with IFRS or net profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency. In accordance with the legislation of the Republic of Kazakhstan, as at the reporting date, reserves available for distribution amounted to KZT 1,474,694 thousand (31 December 2015: KZT 3,637,503 thousand).

During the year ended 31 December 2016, KZT 772,000 thousand or KZT 45.07 per share were declared and paid (2015: no dividends were declared and paid).

Reserves for general banking risks

Until 2013, in accordance with amendments to the Resolution No. 196 "On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks" issued by the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA") introduced on 31 January 2011 (that became invalid in 2013), the Bank had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve.

During the reporting periods ended 31 December 2016 and 31 December 2015, no transfers to general reserve were made by the Bank to cover general banking risks.

In accordance with the amendments to the Resolution No. 358 "On approval of the Instruction of normative coefficients and methods of calculation of prudential norms for the second tier banks" issued on 25 December 2013 the statutory reserve capital is non-distributable.

28 Share capital, continued

(c) Nature and purpose of reserves, continued

Dynamic reserve

In 2014, the dynamic reserve was temporarily fixed by the NBRK at the level of 31 December 2013.

As at 31 December 2016, the non-distributable dynamic reserve of the Bank is KZT 7,594,546 thousand (31 December 2015: KZT 6,733,233 thousand). In 2016, there was an increase in the dynamic reserve resulting from the purchase of BankPozitiv Kazakhstan JSC, which was subsequently renamed to EU Bank (SB of Eurasian Bank JSC) JSC and its subsequent merge.

29 Analysis by segment

The Bank has five reportable segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker, the Chairman of the Management Board (the "Chairman"), reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments.

- Corporate banking – includes loans, deposits and other transactions with corporate customers;
- Retail banking – includes loans, deposits and other transactions with retail customers;
- Assets and Liabilities management – includes maintaining of liquid assets portfolio (cash, nostro accounts with the NBRK, and other banks, interbank financing (up to 1 month), investments into liquid assets and bonds issue management;
- Small and medium size companies banking - includes loans, deposits and other transactions with small and medium size companies;
- Treasury – includes the Bank financing via interbank borrowings and using derivatives for hedging market risks and investments into liquid securities (corporate bonds).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax as included in the internal management reports that are reviewed by the Chairman of the Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

29 Analysis by segment, continued

	2016 KZT'000	**2015 KZT'000**
ASSETS		
Corporate banking	378,448,609	311,397,895
Retail banking	261,452,482	298,770,241
Assets and liabilities management	101,114,838	87,128,009
Small and medium size companies banking	34,511,320	44,852,832
Treasury	2,848,484	9,979,435
Unallocated assets	218,090,141	285,032,491
Total assets	**996,465,874**	**1,037,160,903**
LIABILITIES		
Corporate banking	315,157,962	311,074,471
Retail banking	293,246,889	268,977,385
Assets and liabilities management	159,341,288	194,161,595
Small and medium size companies banking	50,245,404	53,842,683
Unallocated liabilities	84,287,236	131,469,829
Total liabilities	**902,278,779**	**959,525,963**

Reconciliations of reportable segment total assets and total liabilities:

	2016 KZT'000	**2015 KZT'000**
Total assets for reportable segments	996,465,874	1,037,160,903
Nominal presentation of foreign currency swaps	(42,042)	(62,097,210)
Other adjustments	(4,072,290)	(3,524,891)
Total assets	**992,351,542**	**971,538,802**

	2016 KZT'000	**2015 KZT'000**
Total liabilities for reportable segments	902,278,779	959,525,963
Nominal presentation of foreign currency swaps	(42,042)	(62,097,210)
Other adjustments	(3,485,290)	(3,680,888)
Total liabilities	**898,751,447**	**893,747,865**

29 Analysis by segment, continued

Segment information for the main reportable segments for the year ended 31 December 2016 is set out below:

KZT'000	Corporate banking	Small and medium size companies banking	Retail banking	Treasury	Assets and liabilities management	Unallocated assets and liabilities	Total
Interest income	31,372,694	4,333,831	44,136,935	134,949	4,850,817	3,672	84,832,898
Fee and commission income	1,611,153	1,440,849	20,575,956	-	284,233	344,258	24,256,449
Net gain on securities, dealing and translation differences	652,860	461,774	1,206,466	6,284,634	(2,620)	-	8,603,114
Other income	3,416,517	715,502	2,217,745	-	-	-	6,349,764
Funds transfer pricing	34,323,706	5,266,403	26,261,200	-	19,151,071	224,441	85,226,821
Revenue	**71,376,930**	**12,218,359**	**94,398,302**	**6,419,583**	**24,283,501**	**572,371**	**209,269,046**
Interest expense	(23,787,339)	(2,766,680)	(16,863,068)	-	(23,143,205)	-	(66,560,292)
Fee and commission expense	(244,177)	(61,664)	(8,638,093)	(11,094)	(15,847)	(100,069)	(9,070,944)
Impairment losses	(2,044,188)	(194,665)	(8,677,974)	-	-	-	(10,916,827)
Funds transfer pricing	(25,300,796)	(2,827,724)	(39,996,405)	(808,992)	(16,134,959)	(157,945)	(85,226,821)
Operational costs (direct)	(2,266,920)	(1,251,024)	(11,926,132)	38,657	(799,734)	(184,720)	(16,389,873)
Operational costs (indirect)	(2,539,644)	(1,531,995)	(14,538,425)	-	(44,794)	(249,087)	(18,903,945)
Corporate income tax	(22,086)	(4,996)	(14,943)	(6,793)	(319)	(269)	(49,406)
Segment result	**15,171,780**	**3,579,611**	**(6,256,738)**	**5,631,361**	**(15,855,357)**	**(119,719)**	**2,150,938**
Other segment items							
Additions of property and equipment	-	-	161,728	-	-	4,187,532	4,349,260
Depreciation and amortization	(440,735)	(355,124)	(2,999,324)	(9,263)	(75,638)	(229,516)	(4,109,600)

29 Analysis by segment, continued

Segment information for the main reportable segments for the year ended 31 December 2015 is set out below:

KZT'000	Corporate banking	Small and medium size companies banking	Retail banking	Treasury	Assets and liabilities management	Unallocated assets and liabilities	Total
Interest income	26,422,923	5,054,840	47,036,946	62,036	1,607,211	1,277	80,185,233
Fee and commission income	1,785,674	1,509,763	16,853,491	-	4,047,276	135,676	24,331,880
Net gain on securities, dealing and translation differences	1,166,743	610,101	1,115,620	193,911	(3,734)	-	3,082,641
Other income	393,725	96,247	3,379,393	-	-	-	3,869,365
Funds transfer pricing	24,740,943	4,260,172	13,317,231	-	31,282,549	220,424	73,821,319
Revenue	**54,510,008**	**11,531,123**	**81,702,681**	**255,947**	**36,933,302**	**357,377**	**185,290,438**
Interest expense	(18,918,815)	(2,723,212)	(10,212,900)	-	(20,633,128)	-	(52,488,055)
Fee and commission expense	(202,487)	(44,710)	(5,340,535)	(5,909)	(8,632)	(10,428)	(5,612,701)
Impairment losses	(3,558,257)	(330,362)	(13,096,830)	-	-	-	(16,985,449)
Funds transfer pricing	(19,062,640)	(3,284,571)	(35,757,441)	(211,970)	(15,379,467)	(125,230)	(73,821,319)
Operational costs (direct)	(2,275,591)	(1,572,166)	(11,790,451)	(152,076)	(1,567,973)	(89,249)	(17,447,506)
Operational costs (indirect)	(1,623,849)	(1,311,100)	(11,634,841)	-	(172,911)	(44,200)	(14,786,901)
Income tax expense	(275,370)	(86,969)	(285,762)	(1,021)	(86,579)	(3,827)	(739,528)
Segment result	**8,592,999**	**2,178,033**	**(6,416,079)**	**(115,029)**	**(915,388)**	**84,443**	**3,408,979**
Other segment items							
Additions of property and equipment	-	-	211,159	-	-	6,440,455	6,651,614
Depreciation and amortization	(368,426)	(355,150)	(3,051,156)	(57,232)	(223,235)	(249,243)	(4,304,442)

29 Analysis by segment, continued

Reconciliations of reportable segment revenues and profit or loss:

	2016 KZT'000	2015 KZT'000
Reportable segment revenue	209,269,046	185,290,438
Funds transfer pricing	(85,226,821)	(73,821,319)
Other adjustments	(11,862,570)	(9,250,235)
Total revenue	**112,179,655**	**102,218,884**

	2016 KZT'000	2015 KZT'000
Reportable segment profit	2,150,938	3,408,979
Other adjustments	(676,244)	228,524
Total profit	**1,474,694**	**3,637,503**

Other adjustments: these adjustments mostly represent netting of other assets and other liabilities, income and expenses. Other adjustments occur due to the fact that the Chairman reviews internal management reports prepared on a gross-up basis whereas for IFRS financial statements purposes netting is made for certain other assets/liabilities included in unallocated assets/liabilities.

Funds transfer pricing: for the purpose of internal management reporting transfer pricing represents the allocation of income and expense between segments that attract cash resources and to segments that create interest income generating assets using cash resources.

Information about major customers and geographical areas

For the year ended 31 December 2016, there are no revenues from corporate customers individually exceed 10% of total revenue.

The majority of revenues from external customers relate to residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan.

30 Risk management

Management of risk is fundamental to the business of banking and forms an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk, liquidity risk and operational risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing risk management policies and procedures as well as approving significantly large exposures. This review has been initially carried out on behalf of the Board of Directors by its Audit Committee, which comprises three independent non-executive directors. With effect from 1 January 2015, the Board of Directors transferred this responsibility to a newly formed Risk and Internal Controls Committee.

30 Risk management, continued

(a) Risk management policies and procedures, continued

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within established risk parameters. The Chief Risk Officer (the "CRO") is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman and indirectly, through the Risk and Internal Controls Committee to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees, Market Risk and Liquidity Management Committee (MRLMC) and an Asset and Liability Management Committee (the "ALCO"). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees, depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Bank. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return, received for the risk assumed.

Market Risk and Liquidity Management Committee (MRLMC) headed by the member of the Bank's Management Board is responsible for management of the market risk and liquidity. MRLMC performs review of the market risk limits based on recommendations of the Risk Management Department and submits thereof to the Management Board and Board of Directors for approval.

The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board and Board of Directors.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of interest rate risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

The Bank also utilises Value-at-Risk ("VaR") methodology to monitor market risk of its trading positions.

30 Risk management, continued

(b) Market risk, continued

(i) Interest-rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position as at 31 December 2016 and 2015 for major financial instruments is as follows:

30 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2016							
ASSETS							
Cash and cash equivalents	36,103,108	-	-	-	-	60,567,559	96,670,667
Financial instruments at fair value through profit or loss	12,154	-	122,270,066	-	-	-	122,282,220
Available-for-sale financial assets	46,583	-	1,988,487	944,210	-	19,179	2,998,459
Deposits and balances with banks	-	-	-	-	-	3,601,512	3,601,512
Loans to customers	125,886,237	58,832,519	177,699,947	302,124,663	25,625,266	-	690,168,632
Held-to maturity investments	142,833	89,525	2,016,292	13,755,908	7,609,721	-	23,614,279
	162,190,915	**58,922,044**	**303,974,792**	**316,824,781**	**33,234,987**	**64,188,250**	**939,335,769**
LIABILITIES							
Financial instruments at fair value through profit or loss	10,091	-	-	-	-	-	10,091
Deposits and balances from banks	-	-	-	-	-	6,702,531	6,702,531
Current accounts and deposits from customers	127,639,587	49,358,411	158,078,455	123,999,911	64,843,368	140,256,668	664,176,400
Debt securities issued	1,469,977	1,355,063	127,292,811	-	-	-	130,117,851
Subordinated debt securities issued	106,038	8,884	11,837,039	9,830,095	1,966,155	-	23,748,211
Other borrowed funds	2,272,377	1,937,574	16,140,926	15,764,141	19,023,136	-	55,138,154
	131,498,070	**52,659,932**	**313,349,231**	**149,594,147**	**85,832,659**	**146,959,199**	**879,893,238**
	30,692,845	**6,262,112**	**(9,374,439)**	**167,230,634**	**(52,597,672)**	**(82,770,949)**	**59,442,531**

30 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2015							
ASSETS							
Cash and cash equivalents	7,438,907	-	-	-	-	66,242,185	73,681,092
Financial instruments at fair value through profit or loss	-	-	27,260,189	115,872,990	-	-	143,133,179
Available-for-sale financial assets	46,583	391,024	788	3,904,037	1,607,085	17,355	5,966,872
Deposits and balances with banks	-	-	-	-	1,081,243	5,897,310	6,978,553
Loans to customers	106,246,287	111,648,599	81,968,758	327,999,516	32,405,656	-	660,268,816
Held-to maturity investments	145,713	85,281	16,292	10,935,709	12,013,654	-	23,196,649
	113,877,490	**112,124,904**	**109,246,027**	**458,712,252**	**47,107,638**	**72,156,850**	**913,225,161**
LIABILITIES							
Financial instruments at fair value through profit or loss	165,039	-	-	-	-	-	165,039
Deposits and balances from banks	3,418,436	-	1,467,460	-	-	1,946,557	6,832,453
Amounts payable under repurchase agreements	2,648,490	-	-	-	-	-	2,648,490
Current accounts and deposits from customers	143,393,860	77,541,245	199,048,203	92,578,133	64,997,134	61,211,560	638,770,135
Debt securities issued	1,591,727	1,759,732	7,509,503	153,763,607	-	-	164,624,569
Subordinated debt securities issued	-	161,750	11,116,055	9,783,647	-	-	21,061,452
Other borrowed funds	3,118,053	1,739,871	4,477,620	18,380,614	16,057,778	-	43,773,936
	154,335,605	**81,202,598**	**223,618,841**	**274,506,001**	**81,054,912**	**63,158,117**	**877,876,074**
	(40,458,115)	**30,922,306**	**(114,372,814)**	**184,206,251**	**(33,947,274)**	**8,998,733**	**35,349,087**

30 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2016 and 31 December 2015. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2016 Average effective interest rate, %			2015 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	11.36	-	-	-	5.00	-
Available-for-sale financial assets	5.68	-	-	5.27	4.71	-
Loans to customers	19.67	8.09	13.36	19.44	8.48	14.14
Held-to maturity investments	6.18	5.32	-	6.18	5.35	-
Interest bearing liabilities						
Deposits and balances from banks						
- Term deposits	12.00	-	1.28	12.00	2.84	16.50
Amounts payable under repurchase agreements	-	-	-	73.00	-	-
Current accounts and deposits from customers						
- Corporate	8.55	3.34	3.28	10.52	3.61	2.52
- Retail	12.39	2.77	2.08	8.41	3.41	2.55
Debt securities issued	14.35	8.58	-	6.87	8.50	-
Subordinated debt securities issued	15.02	-	-	9.11	-	-
Other borrowed funds						
- Loans from state financial institutions	4.87	-	-	4.03	-	-
- Loans from foreign banks	-	5.23	-	-	4.81	-
- Loans from the Ministry of Finance of the Republic of Kazakhstan	5.50	2.52	-	5.50	1.98	-

30 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2016 and 2015, is as follows:

	2016		2015	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	227,412	227,412	357,341	357,341
100 bp parallel rise	(227,412)	(227,412)	(357,341)	(357,341)

An analysis of sensitivity of net profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2016 and 2015 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves is as follows:

	2016		2015	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	-	36,723	-	197,133
100 bp parallel rise	-	(36,723)	-	(197,133)

30 Risk management, continued

(b) Market risk, continued

(ii) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank hedges its exposure to currency risk. The Bank manages its foreign currency position through the limits established for each currency and net foreign currency position limits.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2016:

	USD KZT'000	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS					
Cash and cash equivalents	44,768,737	6,261,847	1,226,345	228,862	52,485,791
Deposits and balances with banks	1,977,048	-	-	-	1,977,048
Loans to customers	199,929,248	9,588,956	2,839,668	-	212,357,872
Held-to maturity investments	12,621,229	-	-	-	12,621,229
Other financial assets	2,091,776	587,795	9,029	-	2,688,600
Total assets	**261,388,038**	**16,438,598**	**4,075,042**	**228,862**	**282,130,540**
LIABILITIES					
Deposits and balances from banks	2,788,510	3,000,363	1	441	5,789,315
Current accounts and deposits from customers	350,037,088	8,763,844	3,365,690	187,217	362,353,839
Debt securities issued	120,744,651	-	-	-	120,744,651
Other borrowed funds	4,460,469	-	-	-	4,460,469
Other financial liabilities	3,784,960	53,746	9,203	303	3,848,212
Total liabilities	**481,815,678**	**11,817,953**	**3,374,894**	**187,961**	**497,196,486**
Net position as at 31 December 2016	**(220,427,640)**	**4,620,645**	**700,148**	**40,901**	**(215,065,946)**
The effect of derivatives held for risk management	218,377,821	(4,581,460)	(659,202)	-	213,137,159
Net position with the effect of derivatives held for risk management as at 31 December 2016	**(2,049,819)**	**39,185**	**40,946**	**40,901**	**(1,928,787)**

30 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

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

	USD KZT'000	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS					
Cash and cash equivalents	51,406,561	5,132,714	1,665,131	398,619	58,603,025
Available-for-sale financial assets	2,685,276	-	-	-	2,685,276
Deposits and balances with banks	2,686,878	-	-	-	2,686,878
Loans to customers	195,193,871	9,479,233	1,431,663	-	206,104,767
Held-to maturity investments	12,220,560	-	-	-	12,220,560
Other financial assets	2,757,822	618,005	657	-	3,376,484
Total assets	**266,950,968**	**15,229,952**	**3,097,451**	**398,619**	**285,676,990**
LIABILITIES					
Deposits and balances from banks	5,276,218	21,648	467,463	32	5,765,361
Current accounts and deposits from customers	450,912,170	12,582,401	5,366,728	270,087	469,131,386
Debt securities issued	155,523,338	-	-	-	155,523,338
Other borrowed funds	3,647,631	-	-	-	3,647,631
Other financial liabilities	1,758,672	46,609	26,148	453	1,831,882
Total liabilities	**617,118,029**	**12,650,658**	**5,860,339**	**270,572**	**635,899,598**
Net position as at 31 December 2015	**(350,167,061)**	**2,579,294**	**(2,762,888)**	**128,047**	**(350,222,608)**
The effect of derivatives held for risk management	351,094,326	(2,600,220)	2,586,086	-	351,080,192
Net position with the effect of derivatives held for risk management as at 31 December 2015	**927,265**	**(20,926)**	**(176,802)**	**128,047**	**857,584**

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2016 and 2015 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is on a net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

30 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

	2016		2015	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
20% appreciation of USD against KZT	(327,971)	(327,971)	148,362	148,362
20% appreciation of EUR against KZT	6,270	6,270	(3,348)	(3,348)
20% appreciation of RUB against KZT	6,551	6,551	(28,288)	(28,288)
20% appreciation of other currencies against KZT	6,544	6,544	20,488	20,488

A strengthening of the KZT against the above currencies at 31 December 2016 and 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Bank takes a long or short position in a financial instrument.

(iv) Value at Risk estimates

The Bank also utilises Value-at-Risk (“VaR”) methodology to monitor market risk of its currency positions.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential market price movements are determined with reference to market data from at least the most recent 12 months.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets as follows:

- the use of historical data as a basis for determining future events may not encompass all potential scenarios, particularly those of an extreme nature;
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for an extended period;
- the use of a 99 % confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate;
- VaR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day;
- the VaR measure is dependent on the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Bank does not solely rely on its VaR calculations in its market risk measurement due to inherent risk of usage of VaR as described above. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

30 Risk management, continued

(b) Market risk, continued

(iv) Value at Risk estimates, continued

A summary of the VaR estimates in respect of foreign currency risk of the Bank at 31 December is as follows:

	31 December 2016 KZT'000	31 December 2015 KZT'000
Foreign exchange risk	103,254	248,452

(c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Business Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Credit Risk and Collateral Valuation Department and an opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee makes decisions based on opinions of internal Bank's services. Individual transactions are also reviewed by the Legal, Accounting and Tax Departments depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed through the use of scoring models and application data verification procedures developed by the Retail Business Department together with the Risk Management Department.

Apart from individual customer analysis by the Credit Risk and Collateral Valuation Department, the credit portfolio is assessed also by the Risk Management Department with regard to credit concentration and market risks.

Loan approvals and credit card limits can be cancelled at anytime.

30 Risk management, continued

(c) Credit risk, continued

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the unconsolidated statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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

	2016 KZT'000	2015 KZT'000
ASSETS		
Cash and cash equivalents	57,413,417	47,074,340
Financial instruments at fair value through profit or loss	122,282,220	143,133,179
Available-for-sale financial assets	2,979,280	5,949,517
Deposits and balances with banks	3,601,512	6,978,553
Loans to customers	690,168,632	660,268,816
Held-to-maturity investments	23,614,279	23,196,649
Other financial assets	15,206,374	10,466,606
Total maximum exposure	**915,265,714**	**897,067,660**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 16.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 32.

As at 31 December 2016 and 2015 the Bank did not have debtors or groups of connected debtors, credit risk exposure to whom exceeds 10% maximum credit risk exposure.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's unconsolidated statement of financial position, or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the unconsolidated statement of financial position.

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

The Bank conducts derivative transactions that are not transacted on the exchange through a central counterparty. Management believes that such settlements are, in effect, equivalent to net settlement and that, the Bank meets the net settlement criterion as this gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that the Bank will process receivables and payables in a single settlement process or cycle.

The Bank receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives
- sale and repurchase, and reverse sale and repurchase agreements, and
- securities lending and borrowing.

Such collateral is subject to the standard industry terms of the International Swaps and Derivatives Association ("ISDA") Credit Support Annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

30 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2016:

KZT'000 Types of financial assets/liabilities	Gross amount of recognised financial assets/ liabilities	Gross amount of recognised financial assets/ liabilities offset in the unconsolidated statement of financial position	Net amount of financial assets/liabilities presented in the unconsolidated statement of financial position	Related amounts not offset in the unconsolidated statement of financial position: Financial instruments	Related amounts not offset in the unconsolidated statement of financial position: Cash collateral received	Net amount
Loans to customers	1,088,598	-	1,088,598	-	(1,088,598)	-
Total financial assets	**1,088,598**	**-**	**1,088,598**	**-**	**(1,088,598)**	**-**
Current accounts and deposits from customers	(1,088,598)	-	(1,088,598)	-	1,088,598	-
Total financial liabilities	**(1,088,598)**	**-**	**(1,088,598)**	**-**	**1,088,598**	**-**

The following table provides information on financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2015:

KZT'000 Types of financial assets/liabilities	Gross amounts of recognised financial assets /liabilities	Gross amount of recognised financial assets/liabilities offset in the unconsolidated statement of financial position	Net amount of financial assets/liabilities presented in the unconsolidated statement of financial position	Related amounts not offset in the unconsolidated statement of financial position: Financial instruments	Related amounts not offset in the unconsolidated statement of financial position: Cash collateral received	Net amount
Available-for-sale financial assets	1,115,486	-	1,115,486	(1,115,486)	-	-
Held-to-maturity investments	1,533,004	-	1,533,004	(1,533,004)	-	-
Loans to customers	13,287,838	-	13,287,838	-	(13,287,838)	-
Total financial assets	**15,936,328**	**-**	**15,936,328**	**(2,648,490)**	**(13,287,838)**	**-**
Amounts payable under repurchase agreements	(2,648,490)	-	(2,648,490)	2,648,490	-	-
Current accounts and deposits from customers	(13,287,838)	-	(13,287,838)	-	13,287,838	-
Total financial liabilities	**(15,936,328)**	**-**	**(15,936,328)**	**2,648,490**	**13,287,838**	**-**

30 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the unconsolidated statement of financial position that are disclosed in the above tables are measured in the unconsolidated statement of financial position on the following basis:

- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements and securities lending and borrowing – amortised cost.

The securities pledged under repurchased agreements (Notes 14 and 17) represent the transferred financial assets that are not derecognised in their entirety. The securities lent or sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Bank, but the counterparty has an obligation to return the securities at the maturity of the contract. The Bank has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. Because the Bank sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the agreement.

(d) Liquidity risk

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

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

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.
- The Assets and Liabilities Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Assets and Liabilities Department together with the Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, deposits and balances with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

30 Risk management, continued

(d) Liquidity risk, continued

The daily liquidity position is monitored by the Assets and Liabilities Department and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk Management Department. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the ALCO and implemented by the Assets and Liabilities Department.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment.

The maturity analysis for financial liabilities as at 31 December 2016 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	6,671,235	-	-	-	33,329	6,704,564	6,702,531
Current accounts and deposits from customers	118,705,177	103,746,176	61,825,398	185,803,377	266,122,373	736,202,501	664,176,400
Debt securities issued	75,883	527,728	4,516,875	125,570,493	16,138,575	146,829,554	130,117,851
Subordinated debt securities issued	112,275	-	1,373,146	1,485,421	42,203,474	45,174,316	23,748,211
Other borrowed funds	1,531,375	1,485,240	12,855,040	5,751,417	43,503,260	65,126,332	55,138,154
Other financial liabilities	11,495,565	2,140,642	57,724	41,443	1,369,544	15,104,918	15,104,918
Derivative liabilities							
- Inflow	(12,903,619)	-	-	-	-	(12,903,619)	-
- Outflow	12,913,710	-	-	-	-	12,913,710	10,091
Total liabilities	**138,601,601**	**107,899,786**	**80,628,183**	**318,652,151**	**369,370,555**	**1,015,152,276**	**894,998,156**
Credit related commitments	66,195,139	-	-	-	-	66,195,139	66,195,139

30 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2015 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	5,372,024	-	-	1,543,748	68,002	6,983,774	6,832,453
Amounts payable under repurchase agreements	2,684,082	-	-	-	-	2,684,082	2,648,490
Current accounts and deposits from customers	133,918,966	76,341,155	82,468,518	206,403,158	206,168,984	705,300,781	638,770,135
Debt securities issued	63,797	199,196	5,865,772	6,128,765	180,873,952	193,131,482	164,624,569
Subordinated debt securities issued	-	-	766,676	766,676	32,504,621	34,037,973	21,061,452
Other borrowed funds	115,556	2,579,704	1,711,300	5,783,648	44,662,342	54,852,550	43,773,936
Other financial liabilities	8,029,717	10,644	66,792	14,929	3,714,197	11,836,279	11,836,279
Derivative liabilities							
- Inflow	(65,243,449)	-	-	-	-	(65,243,449)	-
- Outflow	65,408,488	-	-	-	-	65,408,488	165,039
Total liabilities	**150,349,181**	**79,130,699**	**90,879,058**	**220,640,924**	**467,992,098**	**1,008,991,960**	**889,712,353**
Credit related commitments	61,977,032	-	-	-	-	61,977,032	61,977,032

In accordance with legislation of the Republic of Kazakhstan, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

However, management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Bank indicates that these customers accounts provide a long-term and stable source of funding.

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

30 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the unconsolidated statement of financial position, excluding derivative instruments, as at 31 December 2016:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	No maturity	Overdue	Total
Non-derivative financial assets								
Cash and cash equivalents	96,670,667	-	-	-	-	-	-	96,670,667
Available-for-sale financial assets	-	46,583	1,988,487	944,210	-	19,179	-	2,998,459
Deposits and balances with banks	1,620,973	-	-	-	1,980,539	-	-	3,601,512
Loans to customers	38,521,430	45,240,629	237,434,829	300,890,363	23,902,161	-	44,179,220	690,168,632
Held-to-maturity investments	142,834	-	2,105,816	13,755,908	7,609,721	-	-	23,614,279
Investment in subsidiary	-	-	-	-	-	7,097,853	-	7,097,853
Current tax asset	3,408,819	-	-	-	-	-	-	3,408,819
Property, equipment and intangible assets	-	-	-	-	-	24,733,023	-	24,733,023
Other assets	6,925,027	1,090,851	5,038,825	1,821,955	2,254,046	589,932	55,442	17,776,078
Total assets	**147,289,750**	**46,378,063**	**246,567,957**	**317,412,436**	**35,746,467**	**32,439,987**	**44,234,662**	**870,069,322**
Non-derivative financial liabilities								
Deposits and balances from banks	6,669,202	-	-	-	33,329	-	-	6,702,531
Current accounts and deposits from customers	115,427,794	97,902,026	230,107,665	155,880,613	64,858,302	-	-	664,176,400
Debt securities issued	67,031	348,887	120,744,652	1,402,946	7,554,335	-	-	130,117,851
Subordinated debt securities issued	106,038	-	414,445	9,830,095	13,397,633	-	-	23,748,211
Other borrowed funds	1,570,995	1,116,562	16,628,357	16,454,115	19,368,125	-	-	55,138,154
Deferred tax liabilities	-	-	-	-	-	2,309,290	-	2,309,290
Other liabilities	11,912,563	2,687,076	575,129	3,870	1,370,281	-	-	16,548,919
Total liabilities	**135,753,623**	**102,054,551**	**368,470,248**	**183,571,639**	**106,582,005**	**2,309,290**	**-**	**898,741,356**
Net position	**11,536,127**	**(55,676,488)**	**(121,902,291)**	**133,840,797**	**(70,835,538)**	**30,130,697**	**44,234,662**	**(28,672,034)**

30 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the unconsolidated statement of financial position, excluding derivative instruments, as at 31 December 2015:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	No maturity	Overdue	Total
Non-derivative financial assets								
Cash and cash equivalents	73,681,092	-	-	-	-	-	-	73,681,092
Available-for-sale financial assets	-	46,583	391,812	3,904,037	1,607,085	17,355	-	5,966,872
Deposits and balances with banks	4,288,184	-	-	-	2,690,369	-	-	6,978,553
Loans to customers	30,011,516	45,770,596	193,354,401	327,881,837	30,113,843	-	33,136,623	660,268,816
Held-to-maturity investments	145,713	-	101,573	10,935,709	12,013,654	-	-	23,196,649
Investment in subsidiary	-	-	-	-	-	7,097,853	-	7,097,853
Current tax asset	2,235,201	-	-	-	-	-	-	2,235,201
Property, equipment and intangible assets	-	-	-	-	-	24,822,425	-	24,822,425
Net assets receivable from merged subsidiary	-	-	11,779,202	-	-	-	-	11,779,202
Other assets	5,774,642	650,037	955,582	3,130	4,563,525	400,085	31,959	12,378,960
Total assets	**116,136,348**	**46,467,216**	**206,582,570**	**342,724,713**	**50,988,476**	**32,337,718**	**33,168,582**	**828,405,623**
Non-derivative financial liabilities								
Deposits and balances from banks	5,296,991	-	1,467,460	-	68,002	-	-	6,832,453
Amounts payable under repurchase agreements	2,648,490	-	-	-	-	-	-	2,648,490
Current accounts and deposits from customers	131,557,582	72,334,762	276,614,897	93,158,517	65,104,377	-	-	638,770,135
Debt securities issued	56,354	131,691	1,759,732	155,167,289	7,509,503	-	-	164,624,569
Subordinated debt securities issued	-	-	161,750	9,783,647	11,116,055	-	-	21,061,452
Other borrowed funds	395,273	1,921,200	5,801,411	19,076,418	16,579,634	-	-	43,773,936
Deferred tax liabilities	-	-	-	-	-	2,024,080	-	2,024,080
Other liabilities	8,719,032	774,161	603,024	37,660	3,713,834	-	-	13,847,711
Total liabilities	**148,673,722**	**75,161,814**	**286,408,274**	**277,223,531**	**104,091,405**	**2,024,080**	**-**	**893,582,826**
Net position	**(32,537,374)**	**(28,694,598)**	**(79,825,704)**	**65,501,182**	**(53,102,929)**	**30,313,638**	**33,168,582**	**(65,177,203)**

Management believes that the following factors address the liquidity gap up to 1 year:

- Management's analysis of behaviour of holders of term deposits during the past three years indicates that offering of competitive interest rates provides for high level of renewals

30 Risk management, continued

(d) Liquidity risk, continued

- The balance of customer accounts and deposits from related parties, which is due up to 1 year, is KZT 70,268,284 thousand as at 31 December 2016. Management believes that the term deposits will be extended when they fall due and withdrawals of significant customer accounts, if required, will be coordinated with the Bank's liquidity management objectives.

(e) Operational risk

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

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, the Bank policy requires compliance with all applicable legal and regulatory requirements.

The Bank manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

31 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defined as capital those items defined by statutory regulation as capital for credit institutions:

Tier 1 capital is a total of basic and additional capital. Basic capital comprises ordinary share capital, share premium, current and prior periods' retained earnings and reserves created thereof (accumulated declared reserve and reserves for revaluation of property, plant and equipment and value of available-for-sale financial assets), less treasury share capital, intangible assets including goodwill, and current and prior periods losses, deferred tax asset net of deferred tax liability and other revaluation reserves. Additional capital comprises of perpetual contracts and paid-in preference share capital less adjustments for the Bank's investment in its own perpetual financial instruments and treasury preference shares.

Tier 2 capital comprises subordinated debt less own repurchased subordinated debt and regulatory adjustments.

Total capital is the sum of tier 1 and tier 2 capital.

Various further limits and qualifying criteria are applied to the above elements of the capital base.

In accordance with the current regulations set by the NBRK the Bank has to maintain total capital adequacy within the following coefficients:

- a ratio of basic capital to the sum of assets and contingent liabilities, financial derivatives weighted by the level of credit risk, assets, contingent assets and liabilities, calculated based on the market risk and a quantitative measure of operational risk (k1)
- a ratio of tier 1 capital to the sum of assets and contingent liabilities, financial derivatives weighted by the level of credit risk, assets, contingent assets and liabilities, calculated based on the market risk and a quantitative measure of operational risk (k1-2)
- a ratio of total capital to the sum of assets and contingent liabilities, financial derivatives weighted by the level of credit risk, assets, contingent assets and liabilities, calculated based on the market risk and a quantitative measure of operational risk (k2).

31 Capital management, continued

As at 31 December 2016 and 2015 the minimum level of ratios as applicable to the Bank are as follows:

- k1 – not less than 0.05
- k1-2 – not less than 0.06
- k2 – not less than 0.075.

The following table shows the composition of the Bank's capital position calculated in accordance with the FSC requirements established by the Resolution of the Management Board of the NBRK # 358 dated 30 September 2005, as at 31 December 2016 and 31 December 2015.

The Bank's capital ratios are in accordance with NBRK requrements, however, in common with many other central banks, NBRK requires the Bank (and more generally other participants in the Kazakhstan banking sector) to have a larger capital buffer against possible future events, based on its assessment of risks, over and above those set out in the requirements of NBRK.

The Bank has regular dialogue with NBRK in relation to its requirements.

The Bank also has regular dialogue with rating agencies, keeping them informed of developments in the business, ensuring that there is transparency and hence enabling the rating agencies to make clear assessments. The management of the Bank is constantly reviewing its position to ensure that any change in its crediy rating, whether positive or negative, is managed appropriately.

	31 December 2016 KZT'000	31 December 2015 KZT'000
Tier 1 capital		
Basic capital:		
Ordinary share capital	51,135,191	36,110,211
Additional paid-in capital	2,025,632	2,025,632
Statutory retained earnings of prior years	22,779,568	21,246,598
Retained earnings of current period	2,150,936	3,548,260
Reserves formed from statutory retained earnings of prior years	8,616,901	8,234,923
Dynamic reserve subject to limitation of 1.25% of risk-weighted statutory assets	7,580,845	6,719,532
Revaluation reserve for available-for-sale financial assets	(101,978)	(183,462)
Statutory adjustments:		
Intangible assets including goodwill	(8,019,051)	(7,006,939)
Tier 1 capital	**86,168,044**	**70,694,755**
Tier 2 capital		
Unamortised portion of subordinated debt limited to 50% of tier 1 capital	17,329,535	18,942,973
Total tier 2 capital	**17,329,535**	**18,942,973**
Total capital	**103,497,579**	**89,637,728**
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk		
Credit risk-weighted assets	823,193,558	804,761,025
Credit risk-weighted contingent liabilities	46,336,594	43,987,260
Credit risk-weighted derivative financial instruments	266,787	39,044
Market risk-weighted assets and contingent liabilities	1,940,177	1,777,146
Operational risk	20,336,223	23,554,643
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk	**892,073,339**	**874,119,118**
k1	**0.097**	**0.081**
k1-2	**0.097**	**0.081**
k2	**0.116**	**0.103**

31 Capital management, continued

The Bank's policy is to maintain a strong capital base so as to maintain investor creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

32 Credit related commitments

The Bank has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to perform as contracted.

	2016 KZT'000	2015 KZT'000
Contracted amount		
Loan and credit line commitments	34,817,760	31,800,654
Guarantees	29,591,731	28,705,648
Letters of credit	1,785,648	1,470,730
	66,195,139	**61,977,032**

Management expects that loan and credit line commitments, to the extent demanded, will be funded from amounts collected from scheduled repayments of current loan portfolio.

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 31 December 2016 the Bank has 1 customer whose balances exceed 10% of total commitments (31 December 2015: 2 customers). The value of these commitments as at 31 December 2016 is KZT 13,416,088 thousand (31 December 2015: KZT 31,280,920 thousand).

33 Operating leases

Leases as lessee

Non-cancellable operating lease rentals as at 31 December are payable as follows:

	2016 KZT'000	2015 KZT'000
Less than 1 year	1,617,322	1,176,187
From 1 to 5 years	3,858,673	2,008,357
	5,475,995	**3,184,544**

33 Operating leases, continued

Leases as lessee, continued

The Bank leases a number of premises and equipment under operating leases. The leases typically run for an initial period of one to five years, with an option to then renew the lease. Lease payments are usually increased annually to reflect market rentals.

During the current year KZT 1,780,411 thousand was recognised as an expense in profit or loss in respect of operating leases (2015: KZT 1,829,007 thousand).

34 Contingencies

(a) Insurance

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

(b) Litigations

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

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, including opinions with respect to IFRS treatment of revenues, expenses and other items in the unconsolidated financial statements. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

35 Related party transactions

(a) Control relationships

The Bank's parent company is Eurasian Financial Company JSC (the "Parent company"). The Parent company is controlled by the group of individuals, Mr. Mashkevich A.A., Mr. Shodiyev P.K., Mr. Ibragimov A.R., each of whom owns 33.3%. Publicly available financial statements are produced by the Parent company.

35 Related party transactions, continued

(b) Transactions with members of the Board of Directors, the Management Board and other key management personnel

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2016 KZT'000	2015 KZT'000
Members of the Board of Directors	554,548	824,850
Members of the Management Board	2,230,492	393,565
Other key management personnel	1,566,772	1,613,098
	4,351,812	**2,831,513**

These amounts include non-cash benefits in respect of members of the Board of Directors, the Management Board and other key management personnel.

The outstanding balances and average effective interest rates as at 31 December 2016 and 2015 for transactions with members of the Board of Directors, the Management Board and other key management personnel are as follows:

	2016 KZT'000	Average effective interest rate, %	2015 KZT'000	Average effective interest rate, %
Unconsolidated statement of financial position				
ASSETS				
Loans to customers	641,936	7.10	159,605	12.11
LIABILITIES				
Current accounts and deposits from customers	4,993,278	6.77	12,925,470	6.27

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors, the Management Board and other key management personnel for the year ended 31 December are as follows:

	2016 KZT'000	2015 KZT'000
Profit or loss		
Interest income	20,502	15,293
Interest expense	(121,097)	(357,438)

35 Related party transactions, continued

(c) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 31 December 2016 and related profit or loss amounts of transactions for the year ended 31 December 2016 with other related parties are as follows:

31 December 2016	**The Parent Company**		**Other subsidiaries of the Parent company**		**Subsidiary of the Bank**		**Other related parties***		
	KZT'000	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**Total KZT'000**
Unconsolidated statement of financial position									
ASSETS									
Cash and cash equivalents									
- in KZT	-	-	-	-	6,889	-	-	-	6,889
- In USD	-	-	-	-	3,444,822	-	-	-	3,444,822
- In other currencies	-	-	-	-	696	-	-	-	696
Investment in Subsidiary									
- in KZT	-	-	-	-	7,097,853	-	-	-	7,097,853
Loans to customers									
- in KZT	-	-	-	-	-	-	16,247,770	10.63	16,247,770
- In USD	-	-	-	-	-	-	88,485,051	6.58	88,485,051
Loans to customers (allowance for impairment)	-	-	-	-	-	-	(1,135,274)	-	(1,135,274)
Other assets									
- in KZT	-	-	14,420	-	-	-	41	-	14,461

35 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2016	Parent Company		Other subsidiaries of the Parent company		Subsidiary of the Bank		Other related parties*		
	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	Total KZT'000
LIABILITIES									
Deposits and balances from banks									
- in KZT	-	-	-	-	9,805	-	-	-	9,805
- In USD	-	-	-	-	249	-	-	-	249
- In other currencies	-	-	-	-	1	-	-	-	1
Current accounts and deposits from customers									
- in KZT	378,046	16.78	5,924,545	16.86	-	-	10,657,835	3.76	16,960,426
- In USD	18,400	2.00	965,061	3.94	-	-	57,257,802	1.87	58,241,263
- In other currencies	-	-	215,762	-	-	-	954,806	8.67	1,170,568
Debt securities issued									
- in KZT	-	-	44,174	12.48	-	-	-	-	44,174
- In USD	-	-	20,817,249	8.58	676,690	7.00	-	-	21,493,939
Subordinated debt securities issued									
- in KZT	-	-	23,067	12.11	-	-	-	-	23,067
Other liabilities									
- in KZT	-	-	302,236	-	-	-	1,532	-	303,768
Items not recognised in the unconsolidated statement of financial position									
Guarantee received	-		-		-		6,337,824		6,337,824
Letters of credit	-		-		-		279,011		279,011
Profit/(loss)									
Interest income	-		-		-		6,923,108		6,923,108
Interest expense	(168,549)		(2,597,119)		(87,210)		(1,740,575)		(4,593,453)
Fee and commission income	1,265		51,291		30		390,466		443,052
Net foreign exchange gain/(loss)	43,174		(358,658)		(84,823)		(1,144,587)		(1,544,894)
Other operating expenses	-		-		-		(44,195)		(44,195)
Impairment losses	-		-		-		(507,285)		(507,285)
Other general administrative expenses	-		(42,424)		-		(32,825)		(75,249)

35 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average effective interest rates as at 31 December 2015 and related profit or loss amounts of transactions for the year ended 31 December 2015 with other related parties are as follows:

31 December 2015	**Parent Company**		**Other subsidiaries of the Parent company**		**Subsidiary of the Bank**		**Other related parties***		
	KZT'000	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**Total KZT'000**
Unconsolidated statement of financial position									
ASSETS									
Cash and cash equivalents									
- in KZT	-	-	-	-	31,221	-	-	-	31,221
- In USD	-	-	-	-	3,836,908	-	-	-	3,836,908
- In other currencies	-	-	-	-	86,846	-	-	-	86,846
Investment in Subsidiary									
- in KZT	-	-	-	-	7,097,853	-	-	-	7,097,853
Loans to customers									
- in KZT	-	-	-	-	-	-	11,925,596	9.54	11,925,596
- In USD	-	-	-	-	-	-	99,828,328	6.00	99,828,328
Loans to customers (allowance for impairment)	-	-	-	-	-	-	(684,017)	-	(684,017)
Net assets receivable from merged subsidiary									
- in KZT	-	-	-	-	11,779,202	-	-	-	11,779,202
Other assets									
- in KZT	-	-	20,760	-	-	-	855,163	-	875,923
- In USD	-	-	-	-	-	-	1,650,082	-	1,650,082

35 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2015	Parent Company		Other subsidiaries of the Parent company		Subsidiary of the Bank		Other related parties*		
	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	Total KZT'000
LIABILITIES									
Deposits and balances from banks									
- in KZT	-	-	-	-	23,717	-	-	-	23,717
- In USD	-	-	-	-	254	-	-	-	254
- In other currencies	-	-	-	-	467,461	16.27	-	-	467,461
Current accounts and deposits from customers									
- in KZT	5,924	-	1,282,386	11.45	-	-	5,465,337	4.44	6,753,647
- In USD	180,498	0.01	1,661,934	3.94	-	-	66,483,285	2.03	68,325,717
- In other currencies	-	-	83,740	-	-	-	1,228,032	4.30	1,311,772
Debt securities issued									
- in KZT	34,828	7.41	40,586	5.68	-	-	-	-	75,414
- In USD	-	-	26,259,063	8.50	-	-	-	-	26,259,063
Subordinated debt securities issued									
- in KZT	-	-	24,770	5.39	-	-	-	-	24,770
Other liabilities									
- in KZT	-	-	337,708	-	-	-	3,215	-	340,923
Items not recognised in the unconsolidated statement of financial position									
Guarantees received	-	-	-	-	-	-	4,829,314	-	4,829,314
Profit/(loss)									
Interest income	-	-	-	-	-	-	3,624,188	-	3,624,188
Interest expense	(7,445)	-	(695,113)	-	(6,488)	-	(2,238,598)	-	(2,947,644)
Fee and commission income	690	-	27,192	-	2	-	422,018	-	449,902
Net foreign exchange gain	(50,707)	-	(5,801,034)	-	1,032,545	-	17,701,074	-	12,881,878
Other operating expenses	-	-	-	-	-	-	(58,354)	-	(58,354)
Impairment losses	-	-	-	-	-	-	(451,293)	-	(451,293)
Other general administrative expenses	-	-	(40,008)	-	-	-	(25,869)	-	(65,877)

35 Related party transactions, continued

(c) Transactions with other related parties, continued

*Other related parties are the entities that are controlled by the Parent company's shareholders.

As at 31 December 2016 loans to customers in the amount of KZT 86,568,856 thousand were insured by an insurance company under common control (31 December 2015: KZT 107,098,173 thousand).

36 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2016:

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	96,670,667	-	-	96,670,667	96,670,667
Financial instruments at fair value through profit or loss	122,282,220	-	-	-	-	122,282,220	122,282,220
Available-for-sale financial assets	-	-	-	2,998,459	-	2,998,459	2,998,459
Deposits and balances with banks	-	-	3,601,512	-	-	3,601,512	3,601,512
Loans to customers							
Loans to corporate customers	-	-	426,661,506	-	-	426,661,506	418,695,413
Loans to retail customers	-	-	263,507,126	-	-	263,507,126	253,464,252
Held-to-maturity investments							
Government bonds	-	18,668,207	-	-	-	18,668,207	18,104,645
Corporate bonds	-	4,946,072	-	-	-	4,946,072	5,142,516
Other financial assets	-	-	15,206,374	-	-	15,206,374	15,206,374
	122,282,220	**23,614,279**	**805,647,185**	**2,998,459**	**-**	**954,542,143**	**936,166,058**
Financial instruments at fair value through profit or loss	10,091	-	-	-	-	10,091	10,091
Deposits and balances from banks	-	-	-	-	6,702,531	6,702,531	6,702,531
Current accounts and deposits from customers	-	-	-	-	664,176,400	664,176,400	664,840,576
Debt securities issued	-	-	-	-	130,117,851	130,117,851	121,977,616
Subordinated debt securities issued	-	-	-	-	23,748,211	23,748,211	20,674,917
Other borrowed funds	-	-	-	-	55,138,154	55,138,154	55,138,154
Other financial liabilities	-	-	-	-	15,104,918	15,104,918	15,104,918
	10,091	**-**	**-**	**-**	**894,988,065**	**894,998,156**	**884,448,803**

36 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2015:

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	73,681,092	-	-	73,681,092	73,681,092
Financial instruments at fair value through profit or loss	143,133,179	-	-	-	-	143,133,179	143,133,179
Available-for-sale financial assets	-	-	-	5,966,872	-	5,966,872	5,966,872
Deposits and balances with banks	-	-	6,978,553	-	-	6,978,553	6,978,553
Loans to customers							
Loans to corporate customers	-	-	379,668,800	-	-	379,668,800	368,436,579
Loans to retail customers	-	-	280,600,016	-	-	280,600,016	269,494,317
Held-to-maturity investments							
Government bonds	-	18,121,618	-	-	-	18,121,618	17,539,835
Corporate bonds	-	5,075,031	-	-	-	5,075,031	4,863,435
Other financial assets	-	-	10,466,606	-	-	10,466,606	10,466,606
	143,133,179	**23,196,649**	**751,395,067**	**5,966,872**	**-**	**923,691,767**	**900,560,468**
Financial instruments at fair value through profit or loss	165,039	-	-	-	-	165,039	165,039
Deposits and balances from banks	-	-	-	-	6,832,453	6,832,453	6,832,453
Amounts payable under repurchase agreements	-	-	-	-	2,648,490	2,648,490	2,648,490
Current accounts and deposits from customers	-	-	-	-	638,770,135	638,770,135	657,162,909
Debt securities issued	-	-	-	-	164,624,569	164,624,569	164,008,535
Subordinated debt securities issued	-	-	-	-	21,061,452	21,061,452	16,755,211
Other borrowed funds	-	-	-	-	43,773,936	43,773,936	43,773,936
Other financial liabilities	-	-	-	-	11,836,279	11,836,279	11,836,279
	165,039	**-**	**-**	**-**	**889,547,314**	**889,712,353**	**903,182,852**

36 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The estimates of fair value are intended to approximate the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

The Bank uses widely recognised valuation models to determine the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps.

For more complex instruments, the Bank uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain loans and securities for which there is no active market.

As disclosed in Note 14, the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 19,179 thousand (31 December 2015: KZT 17,355 thousand) cannot be determined.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 7.6 – 14.0% and 6.6 – 17.4% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively
- discount rates of 0.3 – 11.1% and 0.2 – 12.8% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively
- quoted market prices are used for determination of fair value of debt securities issued.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

36 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy

The Bank measures fair values for financial instruments recorded on the unconsolidated statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised.

KZT'000	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss			
- Derivative assets	-	122,282,220	122,282,220
- Derivative liabilities	-	(10,091)	(10,091)
Available-for-sale financial assets			
- Debt and other fixed income instruments	2,979,280	-	2,979,280
	2,979,280	**122,272,129**	**125,251,409**

The table below analyses financial instruments measured at fair value at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	**Level 2**	**Level 3**	**Total**
Financial instruments at fair value through profit or loss			
- Derivative assets	-	143,133,179	143,133,179
- Derivative liabilities	-	(165,039)	(165,039)
Available-for-sale financial assets			
- Debt and other fixed income instruments	5,949,517	-	5,949,517
	5,949,517	**142,968,140**	**148,917,657**

Due to low market liquidity, management consider that quoted prices in active markets are not available, including for government securities listed on the Kazakhstan Stock Exchange. Accordingly, as at 31 December 2016 and 2015 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs.

36 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy, continued

Unobservable valuation differences on initial recognition

The transaction price of the swap transactions with the NBRK is different from fair value of the swap instruments in the principal markets (Note 13). At initial recognition, the Bank estimates the fair values of the swaps transacted with the NBRK using valuation techniques. In many cases all significant inputs into the valuation techniques are wholly observable, for example by reference to information from similar transactions in the currency market. In cases where all inputs are not /observable, for example because there are no observable trades in a similar risk at the reporting date, the Bank uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying, expectations of termination periods. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred (see Note 3 (d)(v)).

The following table shows a reconciliation for the year ended 31 December 2016 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3	
	Financial instruments at fair value through profit or loss	
KZT'000	**Derivative assets**	**Derivative liabilities**
Balance at the beginning of the year	143,133,179	165,039
Net (loss)/gain on financial instruments at fair value through profit or loss	(5,114,327)	26,614
Transaction closing	(22,841,742)	(181,562)
Coupon prepayment (Note 13)	7,105,110	-
Balance at the end of the year	**122,282,220**	**10,091**

The following table shows a reconciliation for the year ended 31 December 2015 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3	
	Financial instruments at fair value through profit or loss	
KZT'000	**Derivative assets**	**Derivative liabilities**
Balance at the beginning of the year	4,025,156	-
Net gain on financial instruments at fair value through profit or loss	132,353,658	165,039
Coupon prepayment (Note 13)	6,754,365	-
Balance at the end of the year	**143,133,179**	**165,039**

To determine the fair value of the swaps, management assumed interest rates in KZT within the range of 14.79%-15.13% and of 1.04%-1.18% in USD. Management assumes that the early termination right will not be exercised by NBRK until maturity.

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

As at 31 December 2016 if the interest rate applied to KZT cash flows increased by 1%, the fair value of the currency swaps with the NBRK in Level 3 of the hierarchy would increase by KZT 781,418 thousand (31 December 2015: by KZT 2,005,243 thousand).

36 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy, continued

Unobservable valuation differences on initial recognition, continued

As at 31 December 2016 if the right of early termination to be exercised in 3 months earlier, the effect on profit or loss will be an increase in the fair value of KZT 235,129 thousand (31 December 2015: decrease in fair value of KZT 2,134,086 thousand).

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2016.

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	96,670,667	-	96,670,667	96,670,667
Deposits and balances with banks	3,601,512	-	3,601,512	3,601,512
Loans to customers	635,645,756	36,513,909	672,159,665	690,168,632
Held-to-maturity investments	23,247,161	-	23,247,161	23,614,279
Liabilities				
Deposits and balances from banks	6,702,531	-	6,702,531	6,702,531
Current accounts and deposits from customers	664,840,576	-	664,840,576	664,176,400
Debt securities issued	121,977,616	-	121,977,616	130,117,851
Subordinated debt securities issued	20,674,917	-	20,674,917	23,748,211
Other borrowed funds	55,138,154	-	55,138,154	55,138,154

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2015.

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	73,681,092	-	73,681,092	73,681,092
Deposits and balances with banks	6,978,553	-	6,978,553	6,978,553
Loans to customers	599,334,856	38,596,040	637,930,896	660,268,816
Held-to-maturity investments	22,403,270	-	22,403,270	23,196,649
Liabilities				
Deposits and balances from banks	6,832,453	-	6,832,453	6,832,453
Amounts payable under repurchase agreements	2,648,490	-	2,648,490	2,648,490
Current accounts and deposits from customers	657,162,909	-	657,162,909	638,770,135
Debt securities issued	164,008,535	-	164,008,535	164,624,569
Subordinated debt securities issued	16,755,211	-	16,755,211	21,061,452
Other borrowed funds	43,773,936	-	43,773,936	43,773,936

37 Subsequent events

On 13 June 2017, the Bank has signed an agreement with the third party for sale of certain loans with the carrying amount of KZT 51,531,807 thousand as at 31 December 2016, for the total consideration of KZT 50,928,680 thousand (at the exchange rate as of the transaction date). Out of said amount KZT 20,000,000 thousand were received on 13 June 2017 as a non-refundable advance payment, while the remaining amount is payable before 1 December 2017. The Bank has considered this transaction when assessing the impairment of these loans as at 31 December 2016.