Eurasian Bank JSC

Consolidated Financial Statements

for the year ended 31 December 2015

Contents

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Independent Auditors' Report

To the Board of Directors of Eurasian Bank JSC

We have audited the accompanying consolidated financial statements of Eurasian Bank JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 April 2016

	Note	2015 KZT'000	2014 KZT'000
Interest income	4	91,682,285	80,075,139
Interest expense	4	(48,627,602)	(39,862,264)
Net interest income		**43,054,683**	**40,212,875**
Fee and commission income	5	9,727,333	11,479,459
Fee and commission expense		(648,073)	(779,643)
Net fee and commission income		**9,079,260**	**10,699,816**
Net gain/(loss) on financial instruments at fair value through profit or loss	6	127,833,314	(631,760)
Net foreign exchange (loss)/gain	7	(128,890,053)	3,396,540
Net gain/(loss) on available-for-sale financial assets		10,699	(349)
Gain from sale of mortgage and consumer loans		544,333	1,131,811
Gain from acquisition of subsidiary	37	3,830,086	-
Other operating expenses, net		(420,569)	(279,425)
Operating income		**55,041,753**	**54,529,508**
Impairment losses	8	(19,618,880)	(10,069,797)
Personnel expenses	9	(15,870,567)	(16,438,092)
Other general administrative expenses	10	(14,554,325)	(13,412,070)
Profit before income tax		**4,997,981**	**14,609,549**
Income tax expense	11	(1,029,329)	(3,185,919)
Profit for the year		**3,968,652**	**11,423,630**
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		(98,620)	(22,839)
- Net change in fair value transferred to profit or loss		(10,699)	349
Foreign currency exchange differences on translation		2,544,343	(2,031,456)
Total items that are or may be reclassified subsequently to profit or loss		2,435,024	(2,053,946)
Total other comprehensive income/(loss) for the year		**2,435,024**	**(2,053,946)**
Total comprehensive income for the year		**6,403,676**	**9,369,684**
Basic and diluted earnings per ordinary share, in KZT	28	243.48	704.68

The consolidated financial statements as set out on pages 5 to 86 were approved by management on 29 April 2016 and were signed on its behalf by:

Eggleton M.
Chairman of the Management Board

Nelina L.N.
Chief Accountant

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

	Note	2015 KZT'000	2014 KZT'000
ASSETS			
Cash and cash equivalents	12	86,101,897	112,083,022
Financial instruments at fair value through profit or loss	13	143,133,179	4,547,700
Available-for-sale financial assets	14	5,969,072	5,913,836
Deposits and balances with banks	15	7,119,667	13,476,169
Loans to customers	16	682,334,333	588,232,099
Held-to-maturity investments	17	23,297,543	35,184,257
Current tax asset		2,316,687	2,146,329
Property, equipment and intangible assets	18	25,753,653	22,847,412
Other assets	19	12,970,105	24,171,260
Total assets		**988,996,136**	**808,602,084**
LIABILITIES			
Financial instruments at fair value through profit or loss	13	165,039	-
Deposits and balances from banks	20	6,635,801	3,469,981
Amounts payable under repurchase agreements	21	2,648,490	7,353,570
Current accounts and deposits from customers	22	654,636,292	548,499,125
Debt securities issued	23	164,624,569	103,242,607
Subordinated debt securities issued	24	21,061,452	26,028,695
Other borrowed funds	25	43,773,936	37,862,573
Deferred tax liabilities	11	2,322,654	1,795,183
Other liabilities	26	14,036,191	13,662,318
Total liabilities		**909,904,424**	**741,914,052**
EQUITY			
Share capital	27	36,110,211	30,110,207
Share premium		25,632	25,632
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		(183,462)	(74,143)
Foreign currency translation reserve		330,636	(2,213,707)
Retained earnings		26,979,226	23,871,887
Total equity		**79,091,712**	**66,688,032**
Total liabilities and equity		**988,996,136**	**808,602,084**

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

	2015 KZT'000	2014 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	71,999,246	71,967,339
Interest payments	(50,159,701)	(38,915,794)
Fee and commission receipts	9,072,986	11,331,678
Fee and commission payments	(648,073)	(779,643)
Net payments for financial instruments at fair value through profit or loss	(6,717,533)	(4,560,196)
Net receipts from foreign exchange	4,399,180	3,422,282
Other payments	(444,917)	(288,228)
Personnel expenses payments	(15,574,355)	(17,062,206)
Other general administrative expenses payments	(9,968,494)	(10,475,321)
(Increase)/decrease in operating assets		
Financial instruments at fair value through profit or loss	522,544	465,512
Mandatory reserve	106,272	262,897
Deposits and balances with banks	7,547,920	(9,919,080)
Loans to customers	27,678,846	(157,476,859)
Other assets	6,793,508	956,507
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	1,461,570	(11,106,973)
Amounts payable under repurchase agreements	(4,686,003)	(1,479,999)
Current accounts and deposits from customers	(119,973,133)	119,679,177
Other liabilities	(1,544,036)	1,161,402
Net cash used in operating activities before income tax paid	**(80,134,173)**	**(42,817,505)**
Income tax paid	(834,431)	(2,510,329)
Cash flows used in operating activities	**(80,968,604)**	**(45,327,834)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from acquisition of subsidiary, net of cash paid (Note 37)	128,475	-
Purchases of available-for-sale financial assets	(2,559,947)	(22,698,238)
Sale and repayment of available-for-sale financial assets	3,543,986	27,666,445
Purchases of held-to-maturity investments	(6,681,310)	(52,871,716)
Redemption of held-to-maturity investments	21,500,000	41,419,634
Purchases of property, equipment and intangible assets	(5,809,688)	(6,639,377)
Sales of property, equipment and intangible assets	537,235	315,802
Cash flows from/(used in) investing activities	**10,658,751**	**(12,807,450)**

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

	2015 KZT'000	2014 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from debt securities issued	21,979,814	89,816,367
Repayment of debt securities issued	(19,970,349)	(2,236,200)
Repurchase of debt securities issued	(10,880,468)	(18,096,374)
Receipts from subordinated debt securities issued	-	12,461
Repayment of subordinated debt securities issued	(5,000,000)	(9,210,360)
Repurchase of subordinated debt securities issued	(12,543)	(828,923)
Receipts of other borrowed funds	13,553,841	23,064,839
Repayment of other borrowed funds	(9,368,880)	(6,893,104)
Proceeds from issuance of share capital	6,000,004	-
Dividends paid	-	(1,500,016)
Cash flows (used in)/from financing activities	**(3,698,581)**	**74,128,690**
Net (decrease)/increase in cash and cash equivalents	**(74,008,434)**	**15,993,406**
Effect of changes in exchange rates on cash and cash equivalents	48,027,309	12,943,238
Cash and cash equivalents as at the beginning of the year	112,083,022	83,146,378
Cash and cash equivalents as at the end of the year (Note 12)	**86,101,897**	**112,083,022**

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

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Dynamic reserve**	**Revaluation reserve for available-for-sale financial assets**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2014	**30,110,207**	**25,632**	**8,234,923**	**6,733,233**	**(51,653)**	**(182,251)**	**13,948,273**	**58,818,364**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	11,423,630	11,423,630
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	-	-	-	-	(22,839)	-	-	(22,839)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	349	-	-	349
Foreign currency exchange differences on translation	-	-	-	-	-	(2,031,456)	-	(2,031,456)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	(22,490)	(2,031,456)	-	(2,053,946)
Total other comprehensive loss	-	-	-	-	(22,490)	(2,031,456)	-	(2,053,946)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(22,490)**	**(2,031,456)**	**11,423,630**	**9,369,684**
Transactions with owners, recorded directly in equity								
Dividends declared and paid (Note 27 (b))	-	-	-	-	-	-	(1,500,016)	(1,500,016)
Balance as at 31 December 2014	**30,110,207**	**25,632**	**8,234,923**	**6,733,233**	**(74,143)**	**(2,213,707)**	**23,871,887**	**66,688,032**

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

KZT'000	Share capital	Share premium	Reserve for general banking risks	Dynamic reserve	Revaluation reserve for available-for-sale financial assets	Foreign currency translation reserve	Retained earnings	Total
Balance as at 1 January 2015	**30,110,207**	**25,632**	**8,234,923**	**6,733,233**	**(74,143)**	**(2,213,707)**	**23,871,887**	**66,688,032**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	3,968,652	3,968,652
Other comprehensive income								
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)
Foreign currency exchange differences on translation	-	-	-	-	-	2,544,343	-	2,544,343
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	(109,319)	2,544,343	-	2,435,024
Total other comprehensive income	-	-	-	-	(109,319)	2,544,343	-	2,435,024
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(109,319)**	**2,544,343**	**3,968,652**	**6,403,676**
Transactions with owners, recorded directly in equity								
Shares issued (Note 27 (a))	6,000,004	-	-	-	-	-	-	6,000,004
Other movements in equity								
Transfer to dynamic reserve (Note 27 (d))	-	-	-	861,313	-	-	(861,313)	-
Balance as at 31 December 2015	**36,110,211**	**25,632**	**8,234,923**	**7,594,546**	**(183,462)**	**330,636**	**26,979,226**	**79,091,712**

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

1 Background

(a) Organisation and operations

These consolidated financial statements include the financial statements of Eurasian Bank JSC (the "Bank") and its subsidiaries, Eurasian Bank PJSC, EU Bank (SB Eurasian Bank JSC) JSC (together referred to as the "Group").

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 Group 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 2015, the Group has 19 regional branches (2014: 20) and 133 cash settlement centres (2014: 144) from which it conducts business throughout the Republic of Kazakhstan and Russian Federation.

The registered address of the Bank's head office is 56 Kunayev str., Almaty, Republic of Kazakhstan. The majority of the Group'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).

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 Eurasian Bank JSC) JSC on 19 January 2016. On 31 December 2015 the sole shareholder of the Bank approved a reorganisation plan, under which EU Bank (SB Eurasian Bank JSC) JSC was merged with its Parent Bank (Note 37).

(b) Shareholder

As at 31 December 2015 Eurasian Financial Company JSC ("EFC") is the Bank's Parent company, which owns 100.00% of the Bank's shares (2014: EFC owns 100.00% of the Bank's shares).

(c) Business environment

The Group's operations are primarily located in the Republic of Kazakhstan. Consequently, the Group 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. In addition, significant devaluation of Tenge and drop of the oil prices have increased the risk of uncertainty in business environment. The consolidated financial statements reflect the management's assessment of the impact of the Republic of Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from the management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The consolidated 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 functional currency of the Bank's subsidiary, Eurasian Bank PJSC, is the Russian rouble ("RUB") as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to the subsidiary.

For the purposes of these consolidated financial statements, management elected to use the KZT as the presentation currency.

In translating to the KZT, assets and liabilities of the Bank's subsidiary, Eurasian Bank PJSC, that are included in the consolidated statement of financial position are translated at the foreign exchange rate ruling at the reporting date. All income and expense and equity items are translated at approximating rates at the dates of the transactions. The resulting exchange difference is recorded in the cumulative translation reserve.

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

Any conversion of RUB amounts to KZT should not be construed as a representation that RUB amounts have been, could be, or will be in the future, convertible into KZT at the exchange rate shown, or at any other exchange rate.

(d) Use of estimates and judgments

The preparation of consolidated 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 consolidated financial statements, and are applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 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. In particular the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iv) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities 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.

3 Significant accounting policies, continued

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK, the Central Bank of the Russian Federation (the “CBRF”) and other banks and deposits with banks 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 Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated 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 instrument) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Group 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.

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 Group 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 Group:

- 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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Classification, continued

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

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group 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 consolidated statement of financial position when the Group 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.

(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 the 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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group 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 Group 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 Group 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 Group 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 Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(vii) Derecognition

The Group 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 Group 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 Group is recognised as a separate asset or liability in the consolidated statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated 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 Group 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 Group 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 Group purchases its own debt, it is removed from the consolidated 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 Group 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 consolidated 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.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions within cash and cash equivalents. 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 Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(x) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated 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	25 to 40 years
- Computer and banking equipment	3 to 8 years
- Vehicles	7 years
- Furniture	8 to 10 years
- Leasehold improvements	5 years.

(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	5 to 7 years.

(g) Impairment

The Group 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 Group 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.

3 Significant accounting policies, continued

(g) Impairment, continued

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 Group 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 Group reviews its loans and receivables to assess impairment on a regular basis.

The Group 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 Group 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.

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 Group 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 is uncollectable, it is written off against the related allowance for loan impairment. The Group 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.

3 Significant accounting policies, continued

(g) Impairment, continued

(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

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. 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 reversed is only reversed 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. An impairment loss in respect of goodwill is not reversed.

(h) Provisions

A provision is recognised in the consolidated statement of financial position when the Group 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 Group 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.

3 Significant accounting policies, continued

(i) Credit related commitments

In the normal course of business, the Group 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 Group 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 Group designates as financial liabilities at fair value through profit or loss

- if the Group 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 Group to declare and pay dividends is subject to the legislation, rules and regulations of the Republic of Kazakhstan.

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

(k) Taxation

Income taxes 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.

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

3 Significant accounting policies, continued

(k) Taxation, continued

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: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent 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 Group 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 it is no longer probable that the related tax benefit will be realised.

(l) Income and expense recognition

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 Group 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 Group 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 Group’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 Group 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 Group 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 Group 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 Group); 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 2015, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective.

The Group has not yet analysed the likely impact of these new standards on its consolidated financial statements.

- IFRS 9 "Financial Instruments", issued in phases, replaces the existing guidance in IAS 39 "Financial Instruments: *Recognition and Measurement*". The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalised and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Group recognises that the new standard introduces significant changes to the accounting for financial instruments and is likely to have significant changes on the Group's consolidated financial statements. The Group has not assessed the impact of these changes. The Group does not intend to adopt this standard early. The Standard is effective for annual periods beginning on or after 1 January 2018, and is to be applied retrospectively.
- 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. The Group has not analysed the impact of these changes yet. The Group does not intend to adopt this standard early. 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.
- IFRS 15 "Revenue from contracts with customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.
- Various Improvements to IFRS are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Interest income and expense

	2015 KZT'000	2014 KZT'000
Interest income		
Loans to customers	89,811,279	78,201,720
Held-to-maturity investments	1,089,082	1,005,143
Deposits and balances with banks	415,407	340,472
Available-for-sale financial assets	195,420	415,247
Cash and cash equivalents	83,006	46,016
Amounts receivable under reverse repurchase agreements	63,487	12,109
Financial instruments at fair value through profit or loss	24,604	54,432
	91,682,285	**80,075,139**
Interest expense		
Current accounts and deposits from customers	(31,160,499)	(27,955,273)
Debt securities issued	(10,784,346)	(3,813,219)
Subordinated debt securities issued	(2,579,239)	(3,433,109)
Amounts payable under repurchase agreements	(1,985,055)	(2,251,736)
Other borrowed funds	(1,847,791)	(1,466,399)
Deposits and balances from banks	(270,672)	(942,528)
	(48,627,602)	**(39,862,264)**
	43,054,683	**40,212,875**

Included within various line items under interest income for the year ended 31 December 2015 is a total of KZT 6,918,259 thousand (2014: KZT 2,608,894 thousand) accrued on individually impaired financial assets.

5 Fee and commission income

	2015 KZT'000	2014 KZT'000
Agent services	5,799,673	7,222,800
Settlement	1,221,187	1,358,000
Cash withdrawal	962,795	1,110,279
Payment card maintenance fees	769,730	727,416
Guarantee and letter of credit issuance	546,006	571,341
Cash delivery	70,798	55,093
Custodian services	40,210	23,561
Other	316,934	410,969
	9,727,333	**11,479,459**

The Group provides insurance agent services. The Group 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 gain/(loss) on financial instruments at fair value through profit or loss

	2015 KZT'000	2014 KZT'000
Net unrealised gain on currency SWAPs	137,177,655	533,323
Net realised loss on financial instruments at fair value through profit or loss	(4,283,482)	(26,214)
Interest expense on currency SWAPs with NBRK	(5,060,859)	(1,138,869)
	127,833,314	**(631,760)**

7 Net foreign exchange (loss)/gain

	2015 KZT'000	2014 KZT'000
Dealing, net	4,399,180	3,422,282
Translation differences, net	(133,289,233)	(25,742)
	(128,890,053)	**3,396,540**

8 Impairment losses

	2015 KZT'000	2014 KZT'000
Loans to customers (Note 16)	19,152,024	9,803,742
Other assets (Note 19)	497,767	260,618
Contingent liabilities	(30,911)	5,437
	19,618,880	**10,069,797**

9 Personnel expenses

	2015 KZT'000	2014 KZT'000
Wages, salaries, bonuses and related taxes	15,109,146	15,726,099
Other employee costs	761,421	711,993
	15,870,567	**16,438,092**

10 Other general administrative expenses

	2015 KZT'000	2014 KZT'000
Depreciation and amortisation	4,356,942	3,300,687
Operating lease expense	1,966,505	1,725,183
Communications and information services	1,933,467	1,804,894
Taxes other than on income	1,134,865	1,164,940
Advertising and marketing	1,117,994	1,254,708
Security	939,544	839,111
Repairs and maintenance	530,547	365,030
Professional services	333,015	394,133
Services of state center for pension payments	270,438	308,896
Cash delivery services	228,041	199,824
Travel expenses	225,501	347,231
Insurance	119,376	164,235
Stationery and office supplies	108,086	41,986
Trainings	87,127	46,100
Transportation	53,561	68,739
Loan servicing	6,928	28,445
Representation expenses	6,282	12,786
Other	1,136,106	1,345,142
	14,554,325	**13,412,070**

11 Income tax expense

	2015 KZT'000	2014 KZT'000
Current tax expense		
Current year tax expense	761,339	2,990,753
Decrease in tax expense due to changes in the Tax Code	-	(1,236,117)
Income tax overprovided in prior years	(97,258)	(106,358)
	664,081	**1,648,278**
Deferred tax expense		
Reversal of deferred tax assets due to changes in the Tax Code	-	1,236,117
Origination and reversal of temporary differences	365,248	301,524
Total income tax expense	**1,029,329**	**3,185,919**

In 2015 the applicable tax rate for current and deferred taxes is 20% (2014: 20%).

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

	2015 KZT'000	%	2014 KZT'000	%
Profit before income tax	**4,997,981**	**100.00**	**14,609,549**	**100.00**
Income tax at the applicable tax rate	999,596	20.00	2,921,910	20.00
Tax-exempt income on securities	(256,900)	(5.14)	(281,014)	(1.92)
Overprovided in prior years	(97,258)	(1.95)	(106,358)	(0.73)
Non-deductible expenses	383,891	7.68	651,381	4.46
	1,029,329	**20.59**	**3,185,919**	**21.81**

Deferred tax asset and liability

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 2015 and 2014.

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

Movements in temporary differences during the year ended 31 December 2015 is as follows:

KZT'000	Balance 1 January 2015	Recognised in profit or loss	Acquisition of subsidiary	Balance 31 December 2015
Loans to customers	(1,059,066)	(370,089)	(172,263)	(1,601,418)
Property and equipment	(974,197)	(153,638)	(12,866)	(1,140,701)
Other assets	119,694	(45,176)	17,178	91,696
Financial instruments at fair value through profit or loss	(104,507)	104,507	-	-
Other liabilities	222,893	99,148	5,728	327,769
	(1,795,183)	**(365,248)**	**(162,223)**	**(2,322,654)**

11 Income tax expense, continued

Movements in temporary differences during the year ended 31 December 2014 is as follows:

KZT'000	Balance 1 January 2014	Recognised in profit or loss	Balance 31 December 2014
Loans to customers	(1,091,293)	32,227	(1,059,066)
Property and equipment	(831,271)	(142,926)	(974,197)
Other assets	122,890	(3,196)	119,694
Financial instruments at fair value through profit or loss	(2,464)	(102,043)	(104,507)
Interest payable on deposits and balances from banks	82,321	(82,321)	-
Interest payable on current accounts and deposits from customers	928,392	(928,392)	-
Interest payable on repurchase agreements	456	(456)	-
Interest payable on debt securities issued	154,418	(154,418)	-
Interest payable on subordinated debt	89,369	(89,369)	-
Other liabilities	289,640	(66,747)	222,893
	(257,542)	**(1,537,641)**	**(1,795,183)**

12 Cash and cash equivalents

	2015 KZT'000	2014 KZT'000
Cash on hand	**28,080,955**	**35,171,884**
Nostro accounts with the NBRK and the CBRF	**32,017,014**	**64,368,034**
Nostro accounts with other banks		
- rated from AA- to AA+	5,587,252	939,423
- rated from A- to A+	9,983,332	8,783,545
- rated from BBB- to BBB+	2,771,359	1,336,489
- rated from BB- to BB+	1,226,743	438,773
- rated from B- to B+	5,155	25,523
- not rated	1,013,440	236,851
Total nostro accounts with other banks	**20,587,281**	**11,760,604**
Term deposits with other banks		
- rated from BBB- to BBB+	1,014,200	782,500
- rated from BB- to BB+	1,568,146	-
- rated from B- to B+	1,834,301	-
Total term deposits with other banks	**4,416,647**	**782,500**
Amounts receivable under reverse repurchase agreements		
- not rated	1,000,000	-
Total cash and cash equivalents	**86,101,897**	**112,083,022**

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 2015 and 2014.

As at 31 December 2015 the Group has 1 bank (31 December 2014: 1 bank), whose balance exceeds 10% of equity. The gross value of these balances as at 31 December 2015 is KZT 26,332,242 thousand (31 December 2014: KZT 63,791,316 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 2015 the minimum reserve is KZT 12,720,339 thousand (31 December 2014: KZT 13,154,262 thousand).

12 Cash and cash equivalents, continued

Collateral accepted as security for assets

In 2015, the Group entered into reverse repurchase agreements with counterparties on the Kazakhstan Stock Exchange ("KASE"). These agreements are for treasury notes of the Ministry of Finance of the Republic of Kazakhstan. At 31 December 2015 the fair value of financial assets collateralising reverse repurchase agreements that the Group is permitted to sell or repledge in the absence of default is KZT 1,043,600 thousand.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

13 Financial instruments at fair value through profit or loss

	2015 KZT'000	2014 KZT'000
ASSETS		
Held by the Group		
Government bonds		
Russian Government Federal bonds (OFZ)	-	522,544
Derivative financial instruments		
Foreign currency contracts	143,133,179	4,025,156
	143,133,179	**4,547,700**
LIABILITIES		
Derivative financial instruments		
Foreign currency contracts	165,039	-
	165,039	**-**

No financial assets at fair value through profit or loss are past due as at 31 December 2015 and 2014.

Foreign currency contracts

The Group had the following derivative financial instruments as at 31 December 2015:

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

The Group had the following derivative financial instruments as at 31 December 2014:

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by Group	Amounts receivable by Group	Fair value Asset KZT'000
31 December 2014						
Foreign currency swaps with the NBRK	USD 850,000,000	July 2016 - November 2017	181.73	KZT 154,467,500 thousand	USD 850,000,000	4,025,156
Foreign currency swap	USD 150,000,000	7 January 2015	182.35	KZT 27,352,500 thousand	USD 150,000,000	-
						4,025,156

At 31 December 2015 the derivative financial instruments include currency swap agreements signed in 2014 with the NBRK, under which the Group should deliver KZT 154,467,500 thousand in 2016-2017 in exchange for USD 850,000 thousand. During 2015 the Group has prepaid a premium of KZT 6,754,365 thousand (2014: KZT 4,634,025 thousand), which equates to 3% of the principal amount at inception. The NBRK has a right to terminate the contract at any time prior to the maturity. As at 31 December 2015 the fair value of the swaps amounted to KZT 143,133,179 thousand (31 December 2014: KZT 4,025,156 thousand).

Net gain on financial instruments at fair value through profit or loss includes KZT 132,353,658 thousand recognised on swap agreements with the NBRK (2014: net loss on financial instruments at fair value through profit or loss of KZT 608,829 thousand).

Approach to derivative transactions

The Group 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 Group 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 Group'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 swap positions increases or decreases 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 Group's investments.

The Group's ability to meet its objectives in entering into such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Group. If the 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 Group 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

	2015 KZT'000	2014 KZT'000
Held by the Group		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	2,696,988	149,562
Corporate bonds rated from BBB- to BBB+	947,376	-
Corporate bonds rated from BB- to BB+	1,064,284	559,200
Corporate shares	19,555	14,387
	4,728,203	**723,149**
Pledged under sale and repurchase agreements		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	1,240,869	5,190,687
	5,969,072	**5,913,836**

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 19,555 thousand (31 December 2014: KZT 14,387 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 2015 and 2014.

15 Deposits and balances with banks

	2015 KZT'000	2014 KZT'000
Mandatory reserves with the CBRF	**82,514**	**46,371**
Term deposits		
- conditional deposit with the NBRK	4,286,654	4,139,851
- rated from A- to A+	2,390,282	1,280,766
- rated from BB- to BB+	296,597	582,427
- rated from B- to B+	1,530	7,423,263
- not rated	62,090	3,491
Total term deposits	**7,037,153**	**13,429,798**
Total deposits and balances with banks	**7,119,667**	**13,476,169**

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 2015 and 2014.

As at 31 December 2015 conditional deposit with the NBRK consists of funds of KZT 3,899,766 thousand (31 December 2014: KZT 2,000,000 thousand) received from the Development Bank of Kazakhstan JSC ("DBK") and KZT 386,888 thousand (31 December 2014: KZT 2,139,851 thousand) received from DAMU Entrepreneurship Development Fund JSC ("DAMU") 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 and DAMU, respectively.

(a) Concentration of deposits and balances with banks

As at 31 December 2015 no banks (31 December 2014: 1 bank) have balances that exceed 10% of equity. The gross value of this balance as at 31 December 2014 is KZT 7,421,953 thousand.

(b) Mandatory reserves with the CBRF

Under legislation of the Russian Federation, the Group's subsidiary is required to maintain a mandatory reserve. The mandatory reserve is a non-interest bearing deposit calculated in accordance with regulations issued by the CBRF and whose withdrawability is restricted.

16 Loans to customers

	2015 KZT'000	2014 KZT'000
Loans to corporate customers		
Loans to large corporates	371,004,477	273,626,257
Loans to small and medium size companies ("SME" borrowers)	39,754,323	31,301,591
Total loans to corporate customers	**410,758,800**	**304,927,848**
Loans to retail customers		
Car loans	157,021,291	144,173,185
Uncollateralised consumer loans	125,274,907	139,980,913
Mortgage loans	19,322,139	16,174,953
Small business loans	9,679,939	15,058,722
Loans collateralised by cash	855,398	46,893
Total loans to retail customers	**312,153,674**	**315,434,666**
Gross loans to customers	**722,912,474**	**620,362,514**
Impairment allowance	(40,578,141)	(32,130,415)
Net loans to customers	**682,334,333**	**588,232,099**

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	7,780,728	24,349,687	32,130,415
Net charge	3,497,884	15,654,140	19,152,024
Write-offs	(1,222,239)	(11,704,379)	(12,926,618)
Effect of foreign currency translation	1,076,942	1,145,378	2,222,320
Balance at the end of the year	**11,133,315**	**29,444,826**	**40,578,141**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2014 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	13,845,687	21,724,771	35,570,458
Net charge	1,179,554	8,624,188	9,803,742
Write-offs	(7,763,395)	(6,218,708)	(13,982,103)
Effect of foreign currency translation	518,882	219,436	738,318
Balance at the end of the year	**7,780,728**	**24,349,687**	**32,130,415**

16 Loans to customers, continued

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	371,004,477	(9,186,443)	361,818,034
Loans to small and medium size companies	39,754,323	(1,946,872)	37,807,451
Loans to retail customers			
Car loans	157,021,291	(4,680,824)	152,340,467
Uncollateralised consumer loans	125,274,907	(20,103,484)	105,171,423
Mortgage loans	19,322,139	(2,483,178)	16,838,961
Small business loans	9,679,939	(2,174,784)	7,505,155
Loans collateralised by cash	855,398	(2,556)	852,842
Balance at the end of the year	**722,912,474**	**(40,578,141)**	**682,334,333**

The following table provides information by types of loan products as at 31 December 2014:

	Gross amount KZT'000	Impairment allowance KZT'000	Carrying amount KZT'000
Loans to corporate customers			
Loans to large corporates	273,626,257	(5,753,197)	267,873,060
Loans to small and medium size companies	31,301,591	(2,027,531)	29,274,060
Loans to retail customers			
Car loans	144,173,185	(1,413,620)	142,759,565
Uncollateralised consumer loans	139,980,913	(15,936,570)	124,044,343
Mortgage loans	16,174,953	(2,072,561)	14,102,392
Small business loans	15,058,722	(4,926,925)	10,131,797
Loans collateralised by cash	46,893	(11)	46,882
Balance at the end of the year	**620,362,514**	**(32,130,415)**	**588,232,099**

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 2015 and 2014:

	2015 KZT'000	2014 KZT'000
Loans to corporate customers		
Loans to large corporates		
Unimpaired loans:		
Standard not overdue loans	326,354,460	242,322,130
Overdue loans:		
- overdue 30-89 days	5,312,536	17,966,816
- overdue 90-179 days	-	38,679
- overdue 180-360 days	433,426	94,470
- overdue more than 360 days	142,771	561,577
Total unimpaired loans	332,243,193	260,983,672
Impaired loans:		
- not overdue	27,706,297	8,606,064
- overdue less than 90 days	4,018,350	543,504
- overdue more than 90 days and less than 360 days	4,291,626	95,178
- overdue more than 360 days	2,745,011	3,397,839
Total impaired loans	38,761,284	12,642,585
Total loans to large corporates	**371,004,477**	**273,626,257**
Impairment allowance on loans to large corporate	(9,186,443)	(5,753,197)
Net loans to large corporates	**361,818,034**	**267,873,060**
Loans to small and medium size companies		
Unimpaired loans:		
Standard not overdue loans	25,613,952	22,784,176
Overdue loans:		
- overdue 30-89 days	589,050	44,618
- overdue 90-179 days	756,675	93,030
- overdue 180-360 days	276,895	1,133,247
- overdue more than 360 days	1,646,843	727,388
Total unimpaired loans	28,883,415	24,782,459
Impaired loans:		
- not overdue	633,217	3,076,738
- overdue less than 90 days	4,830,698	-
- overdue more than 90 days and less than 360 days	2,998,114	34,245
- overdue more than 360 days	2,408,879	3,408,149
Total impaired loans	10,870,908	6,519,132
Total loans to small and medium size companies	**39,754,323**	**31,301,591**
Impairment allowance on loans to small and medium size companies	(1,946,872)	(2,027,531)
Net loans to small and medium size companies	**37,807,451**	**29,274,060**
Total loans to corporate customers	**410,758,800**	**304,927,848**
Total impairment allowance on loans to corporate customers	(11,133,315)	(7,780,728)
Total net loans to corporate customers	**399,625,485**	**297,147,120**

16 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	2015 KZT'000	2014 KZT'000
Loans to retail customers		
Car loans		
- not overdue	132,592,890	132,460,920
- overdue less than 30 days	6,753,438	3,913,919
- overdue 30-89 days	3,420,262	2,273,505
- overdue 90-179 days	2,917,883	1,730,633
- overdue 180-360 days	5,049,849	1,892,164
- overdue more than 360 days	6,286,969	1,902,044
Total car loans	**157,021,291**	**144,173,185**
Impairment allowance on car loans	(4,680,824)	(1,413,620)
Net car loans	**152,340,467**	**142,759,565**
Uncollateralised consumer loans		
- not overdue	81,744,126	103,599,971
- overdue less than 30 days	6,099,870	5,720,965
- overdue 30-89 days	3,002,467	3,692,664
- overdue 90-179 days	4,263,283	3,664,340
- overdue 180-360 days	7,563,465	7,324,514
- overdue more than 360 days	22,601,696	15,978,459
Total uncollateralised consumer loans	**125,274,907**	**139,980,913**
Impairment allowance on uncollateralised consumer loans	(20,103,484)	(15,936,570)
Net uncollateralised consumer loans	**105,171,423**	**124,044,343**
Mortgage loans		
- not overdue	10,445,269	9,194,662
- overdue less than 30 days	1,368,139	659,737
- overdue 30-89 days	305,992	534,359
- overdue 90-179 days	587,730	956,468
- overdue 180-360 days	513,570	692,580
- overdue more than 360 days	6,101,439	4,137,147
Total mortgage loans	**19,322,139**	**16,174,953**
Impairment allowance on mortgage loans	(2,483,178)	(2,072,561)
Net mortgage loans	**16,838,961**	**14,102,392**
Small business loans		
- not overdue	4,999,771	7,070,659
- overdue less than 30 days	165,081	50,739
- overdue 30-89 days	124,600	112,856
- overdue 90-179 days	64,992	69,963
- overdue 180-360 days	372,937	445,051
- overdue more than 360 days	3,952,558	7,309,454
Total small business loans	**9,679,939**	**15,058,722**
Impairment allowance on small business loans	(2,174,784)	(4,926,925)
Net small business loans	**7,505,155**	**10,131,797**
Loans collateralised by cash		
- not overdue	855,398	46,893
Total loans collateralised by cash	**855,398**	**46,893**
Impairment allowance on loans collateralised by cash	(2,556)	(11)
Net loans collateralised by cash	**852,842**	**46,882**
Total loans to retail customers	**312,153,674**	**315,434,666**
Total impairment allowance on loans to retail customers	(29,444,826)	(24,349,687)
Total net loans to retail customers	**282,708,848**	**291,084,979**
Total loans to customers	**722,912,474**	**620,362,514**
Total impairment allowance on loans to customers	(40,578,141)	(32,130,415)
Total net loans to customers	**682,334,333**	**588,232,099**

16 Loans to customers, continued

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

(i) Loans to corporate customers

The Group 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 0.66-1.04% 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 2015 would be KZT 3,996,255 thousand lower/higher (31 December 2014: KZT 2,971,471 thousand lower/higher).

(ii) Loans to retail customers

The Group 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 Group’s borrowers in those banks. The PTP programme was launched in May 2013 and collections continued to grow through 2014. Management believes that the Group will continue to be able to maintain collections from PTP based on the 2014 pattern. If the Group did not take into account the effect of the PTP programme, the impairment allowance on loans to retail customers as at 31 December 2015 would be KZT 8,998,774 thousand higher (31 December 2014: KZT 5,659,229 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 2015 would be KZT 8,481,265 thousand lower/higher (31 December 2014: KZT 8,732,549 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 Group 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 2015 KZT'000	Loans to customers, carrying amount	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	90,024,337	87,642,695	2,381,642	-
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	24,597,082	-	-	24,597,082
Cash and deposits	11,024,583	11,024,583	-	-
Equipment	10,739,572	10,639,917	99,655	-
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	839,087	586,272	-	252,815
No collateral or other credit enhancement	9,472,126	-	-	9,472,126
Total unimpaired loans	**357,611,264**	**177,023,203**	**2,485,349**	**178,102,712**
Impaired loans				
Real estate	13,871,257	13,871,257	-	-
Grain	3,733,724	3,733,724	-	-
Construction in progress	2,005,022	2,005,022	-	-
Future contract revenues	11,573,497	-	-	11,573,497
Insurance	1,219,316	-	-	1,219,316
Goods in turnover	1,418,800	1,418,800	-	-
Corporate guarantees (unrated) and guarantees of individuals	1,077,492	-	-	1,077,492
Equipment	922,817	922,817	-	-
Motor vehicles	280,835	280,835	-	-
Cash and deposits	15,627	15,627	-	-
Other collateral	254,618	254,618		
No collateral or other credit enhancement	5,641,216	-	-	5,641,216
Total impaired loans	**42,014,221**	**22,502,700**	**-**	**19,511,521**
Total loans to corporate customers	**399,625,485**	**199,525,903**	**2,485,349**	**197,614,233**

16 Loans to customers, continued

(c) Analysis of collateral, continued

(i) Loans to corporate customers, continued

31 December 2014 KZT'000	Loans to customers, carrying amount	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	72,021,785	62,055,627	9,966,158	-
Future contract revenues	65,503,697	-	-	65,503,697
Insurance	39,231,141	-	-	39,231,141
Grain	24,981,565	20,621,510	4,360,055	-
Motor vehicles	17,600,423	6,578,168	11,022,255	-
Equipment	10,742,365	8,802,009	1,940,356	-
Construction in progress	7,119,811	7,119,811	-	-
Subsoil use	6,187,976	6,187,976	-	-
Corporate guarantees (unrated) and guarantees of individuals	2,738,102	-	-	2,738,102
Cash and deposits	4,061,675	4,061,675	-	-
Goods in turnover	1,772,147	914,946	857,201	-
Other	4,717,218	4,717,218	-	-
No collateral or other credit enhancement	26,222,294	-	-	26,222,294
Total unimpaired loans	**282,900,199**	**121,058,940**	**28,146,025**	**133,695,234**
Impaired loans				
Real estate	9,290,274	4,129,407	5,160,867	-
Future contract revenues	2,098,116	-	-	2,098,116
Equipment	1,294,171	1,219,470	74,701	-
Motor vehicles	218,560	217,915	645	-
Grain	100,100	100,100	-	-
Corporate guarantees (unrated) and guarantees of individuals	35,417	-	-	35,417
Insurance	26,532	-	-	26,532
Goods in turnover	17,807	13,310	4,497	-
Cash and deposits	12,927	-	12,927	-
Other	3,847	-	3,847	-
No collateral or other credit enhancement	1,149,170	-	-	1,149,170
Total impaired loans	**14,246,921**	**5,680,202**	**5,257,484**	**3,309,235**
Total loans to corporate customers	**297,147,120**	**126,739,142**	**33,403,509**	**137,004,469**

The tables above exclude overcollateralisation.

The Group has loans, for which fair value of collateral was assessed at the loan inception date and has not been 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 Group does not necessarily update the valuation of collateral as at each reporting date.

(ii) Loans to retail customers

Mortgage loans are secured by the 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 4,581,276 thousand (31 December 2014: KZT 2,369,001 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 1,811,614 thousand (31 December 2014: KZT 1,113,122 thousand).

For mortgage loans with a net carrying amount of KZT 13,131,707 thousand (31 December 2014: KZT 11,733,391 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 Group updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Group 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 4,108,761 thousand (31 December 2014: KZT 11,654,514 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 would have been higher by KZT 6,161,624 thousand (31 December 2014: KZT 2,164,762 thousand) for car loans without any collateral.

Small business loans

Included in small business loans are loans with a net carrying amount of KZT 1,497,976 thousand (31 December 2014: KZT 668,011 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 109,697 thousand (31 December 2014: KZT 313,971 thousand).

For small business loans with a net carrying amount of KZT 6,007,604 thousand (31 December 2014: KZT 9,463,786 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 Group updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Group obtains specific individual valuation of collateral once a half-year in case there are indications of impairment.

For small business loans with a net carrying amount of KZT 2,728,670 thousand (31 December 2014: KZT 6,352,054 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, except for loans to customers issued by the Russian subsidiary bank, who operate in the following economic sectors:

	2015 KZT'000	2014 KZT'000
Loans to corporate customers		
Wholesale trade	163,976,118	100,248,702
Construction	51,021,833	45,863,515
Agriculture, forestry and timber	45,438,003	33,597,606
Mining/metallurgy	38,798,655	15,438,293
Transport	32,396,866	36,380,918
Manufacturing	25,584,063	19,173,584
Retail trade	13,863,710	12,136,818
Services	10,795,270	17,197,487
Foods production	7,055,324	4,604,354
Lease, rental and leasing	4,988,306	6,144,650
Research and activities	4,789,800	2,638,171
Medical and social care	2,085,722	2,284,771
Financial intermediary	2,043,008	1,710,219
Machinery production	1,665,897	677,526
Entertainment	1,056,603	598,731
Energy production and supply	520,658	875,747
Publishing	295,029	301,704
Real estate	253,052	164,109
Other	4,130,883	4,890,943
Loans to retail customers		
Car loans	157,021,291	144,173,185
Uncollateralised consumer loans	125,274,907	139,980,913
Mortgage loans	19,322,139	16,174,953
Small business loans	9,679,939	15,058,722
Loans collateralised by cash	855,398	46,893
	722,912,474	**620,362,514**
Impairment allowance	(40,578,141)	(32,130,415)
	682,334,333	**588,232,099**

(e) Significant credit exposures

As at 31 December 2015 the Group has 16 borrowers or groups of connected borrowers (31 December 2014: 9), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2015 is KZT 223,191,731 thousand (31 December 2014: KZT 108,160,684 thousand).

(f) Loan maturities

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

16 Loans to customers, continued

(g) Transfers of financial assets

During 2015, the Group sold to third parties a portfolio of consumer loans with a carrying value of KZT 4,628,847 thousand (2014: KZT 22,367,887 thousand) for KZT 5,011,587 thousand (2014: 23,125,868 thousand) under cession agreements. The net gain recognised in the consolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 382,740 thousand (2014: KZT 757,981 thousand).

In June 2014, the Group sold to an 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 the sale. The net gain recognised in the consolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 154,752 thousand. The Group has determined that it has transferred some but not substantially all of the risks and rewards to the transferee, accordingly the Group retains control and continues to recognise the loans to the extent of its continuing involvement in that mortgage loans.

As at 31 December 2015 and 2014 the Group's continuing involvement with such transferred portfolio is recorded in the consolidated statement of financial position in other assets (Note 19) of KZT 4,598,237 thousand (31 December 2014: KZT 5,547,428 thousand) with corresponding liability on continuing involvement included in other liabilities of KZT 3,715,041 thousand (31 December 2014: KZT 4,653,790 thousand) (Note 26) and the guarantee with the fair value of KZT 190,273 thousand (31 December 2014: KZT 102,456 thousand) recognised in other liabilities. This asset includes also an interest strip receivable of KZT 1,352,533 thousand (31 December 2014: KZT 1,420,864 thousand) which represents the right to withhold from the loan buyer a portion of interest receivable on mortgage loan portfolio sold. The Group has a right to receive 1.7% p.a. of the mortgage loan portfolio sold on a monthly basis.

17 Held-to-maturity investments

	2015 KZT'000	2014 KZT'000
Held by the Group		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	16,416,301	14,436,547
Notes of the NBRK	-	15,336,656
Russian Government Federal bonds (OFZ)	48,912	-
Corporate bonds rated from BB- to BB+	5,127,013	2,736,497
	21,592,226	**32,509,700**
Pledged under sale and repurchase agreements		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	1,705,317	569,059
Notes of the NBRK	-	2,105,498
	1,705,317	**2,674,557**
	23,297,543	**35,184,257**

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 2015 and 2014.

18 Property, equipment and intangible assets

KZT'000	Land and buildings	Computer and banking equipment	Vehicles	Furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademark	Computer software and other intangibles	Total
Cost									
Balance at 1 January 2015	11,111,288	12,755,593	838,227	804,508	483,178	892,661	1,075,716	6,584,367	34,545,538
Additions	-	1,795,797	68,708	53,490	231,503	31,808	-	4,571,923	6,753,229
Transfers	422,895	-	-	-	(422,895)	-	-	-	-
Acquisition of subsidiary	107,834	93,586	28,162	90,406	-	-	-	246,964	566,952
Disposals	(56)	(382,615)	(118,499)	(17,066)	(23,642)	(3,732)	-	(585,194)	(1,130,804)
Effect of foreign currency translation	-	22,895	4,532	3,173	-	-	-	35,953	66,553
Balance at 31 December 2015	**11,641,961**	**14,285,256**	**821,130**	**934,511**	**268,144**	**920,737**	**1,075,716**	**10,854,013**	**40,801,468**
Depreciation and amortisation									
Balance at 1 January 2015	(1,444,854)	(5,849,170)	(417,109)	(273,193)	-	(315,784)	(351,985)	(3,046,031)	(11,698,126)
Depreciation and amortisation for the year	(267,281)	(2,258,476)	(89,006)	(84,723)	-	(138,072)	(103,411)	(1,415,973)	(4,356,942)
Disposals	-	355,513	107,554	15,081	-	3,732	-	558,931	1,040,811
Effect of foreign currency translation	-	(10,265)	(1,792)	(638)	-	-	-	(20,863)	(33,558)
Balance at 31 December 2015	**(1,712,135)**	**(7,762,398)**	**(400,353)**	**(343,473)**	**-**	**(450,124)**	**(455,396)**	**(3,923,936)**	**(15,047,815)**
Carrying amount									
At 31 December 2015	**9,929,826**	**6,522,858**	**420,777**	**591,038**	**268,144**	**470,613**	**620,320**	**6,930,077**	**25,753,653**

18 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Computer and banking equipment	Vehicles	Furniture	Construction in progress and equipment to be installed	Leasehold improvements	Trademark	Computer software and other intangibles	Total
Cost									
Balance at 1 January 2014	10,488,777	10,710,143	700,447	719,842	83,016	547,731	1,075,716	4,508,574	28,834,246
Additions	796,166	2,696,742	164,115	103,648	400,831	401,683	-	2,155,965	6,719,150
Disposals	(173,655)	(637,969)	(19,050)	(18,798)	(669)	(56,753)	-	(57,027)	(963,921)
Effect of foreign currency translation	-	(13,323)	(7,285)	(184)	-	-	-	(23,145)	(43,937)
Balance at 31 December 2014	**11,111,288**	**12,755,593**	**838,227**	**804,508**	**483,178**	**892,661**	**1,075,716**	**6,584,367**	**34,545,538**
Depreciation and amortisation									
Balance at 1 January 2014	(1,190,871)	(4,470,468)	(354,994)	(208,185)	-	(282,719)	(248,574)	(2,319,844)	(9,075,655)
Depreciation and amortisation for the year	(254,218)	(1,938,566)	(82,778)	(78,724)	-	(89,818)	(103,411)	(753,172)	(3,300,687)
Disposals	235	551,621	19,050	13,698	-	56,753	-	15,565	656,922
Effect of foreign currency translation	-	8,243	1,613	18	-	-	-	11,420	21,294
Balance at 31 December 2014	**(1,444,854)**	**(5,849,170)**	**(417,109)**	**(273,193)**	**-**	**(315,784)**	**(351,985)**	**(3,046,031)**	**(11,698,126)**
Carrying amount									
At 31 December 2014	**9,666,434**	**6,906,423**	**421,118**	**531,315**	**483,178**	**576,877**	**723,731**	**3,538,336**	**22,847,412**

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2015 (2014: nil).

19 Other assets

	2015 KZT'000	2014 KZT'000
Asset from continuing involvement in transferred assets (Note 16 (g))	4,598,237	5,547,428
Accrued commission income	1,960,925	1,306,578
Debtors on loan operations	1,684,049	884,828
Plastic cards settlements	1,673,205	937,119
Accounts receivable for sold consumer loans	-	9,247,679
Debtors on letters of credit	-	2,395,174
Other	1,210,440	1,312,642
Impairment allowance	(657,908)	(850,977)
Total other financial assets	**10,468,948**	**20,780,471**
Prepayments	851,043	497,095
Advances for capital expenditures	767,716	2,089,642
Materials and supplies	665,932	181,912
Taxes prepaid other than on income tax	214,488	608,969
Other	2,665	13,171
Impairment allowance	(687)	-
Total other non-financial assets	**2,501,157**	**3,390,789**
Total other assets	**12,970,105**	**24,171,260**

Asset from continuing involvement in transferred assets in the amount KZT 4,598,237 thousand (31 December 2014: KZT 5,547,428 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:

	2015 KZT'000	2014 KZT'000
Balance at the beginning of the year	850,977	548,429
Net charge	497,767	260,618
Write-offs	(773,296)	(7,093)
Effect of foreign currency translation	83,147	49,023
Balance at the end of the year	**658,595**	**850,977**

As at 31 December 2015, included in other assets are overdue receivables of KZT 31,532 thousand (31 December 2014: KZT 23,849 thousand) of which KZT 4,944 thousand (31 December 2014: KZT 4,450 thousand) are overdue for more than 90 days but less than one year and KZT 18,370 thousand are overdue for more than one year (31 December 2014: KZT 15,245 thousand).

20 Deposits and balances from banks

	2015 KZT'000	2014 KZT'000
Term deposits	4,716,769	3,264,767
Vostro accounts	1,919,032	205,214
	6,635,801	**3,469,981**

As at 31 December 2015 the Group has no banks whose balances exceed 10% of equity (31 December 2014: no banks).

21 Amounts payable under repurchase agreements

Securities pledged

As at 31 December 2015 and 2014 the Group has pledged certain securities as collateral under repurchase agreements (Notes 14 and 17).

22 Current accounts and deposits from customers

	2015 KZT'000	2014 KZT'000
Current accounts and demand deposits		
- Retail	32,022,246	13,802,760
- Corporate	73,847,987	59,888,880
Term deposits		
- Retail	250,361,225	154,993,406
- Corporate	298,404,834	319,814,079
	654,636,292	**548,499,125**

As at 31 December 2015, the Group maintains customer deposit balances of KZT 13,686,647 thousand (31 December 2014: KZT 4,540,745 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2015, the Group has 12 customers (31 December 2014: 12 customers), whose balances exceed 10% of equity. These balances as at 31 December 2015 are KZT 197,794,583 thousand (31 December 2014: KZT 249,067,801 thousand).

23 Debt securities issued

	2015 KZT'000	2014 KZT'000
Par value	166,034,680	103,492,180
Discount	(3,357,887)	(1,875,565)
Accrued interest	1,947,776	1,625,992
	164,624,569	**103,242,607**

A summary of bond issues at 31 December 2015 and 2014 is presented below:

					Carrying amount	
	Issue registration date	**Maturity**	**Coupon rate**	**Effective rate**	**2015 KZT'000**	**2014 KZT'000**
Bonds of the fifth issue	09-Jul-08	01-Sep-23	inflation +1%	6.08%	7,641,194	7,667,789
Bonds of the seventh issue	24-Sep-08	21-Jan-19	inflation +1%	10.75%	1,460,037	1,421,330
Bonds of the ninth issue	15-Oct-08	15-Oct-15	13.00%	9.94%	-	20,957,912
USD denominated eurobonds	06-Nov-14	06-Nov-17	7.50%	8.50%	155,523,338	73,195,576
					164,624,569	**103,242,607**

24 Subordinated debt securities issued

	2015 KZT'000	2014 KZT'000
Par value	24,969,550	29,984,550
Discount	(4,069,848)	(4,393,639)
Accrued interest	161,750	437,784
	21,061,452	**26,028,695**

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

A summary of bond issues at 31 December 2015 and 2014 is presented below:

					Carrying amount	
	Issue registration date	**Maturity**	**Coupon rate**	**Effective rate**	**2015 KZT'000**	**2014 KZT'000**
Bonds of the sixth issue	04-Aug-08	01-Sep-15	11.00%	10.96%	-	5,181,521
Bonds of the eighth issue	15-Oct-08	15-Oct-23	inflation +1%	9.52%	11,268,920	11,084,476
Bonds of the eleventh issue	20-Nov-12	26-Dec-19	8.00%	8.64%	9,792,532	9,749,850
Bonds of the thirteenth issue (repurchased)	26-Nov-13	10-Jan-24	9.00%	12.49%	-	12,848
					21,061,452	**26,028,695**

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.

25 Other borrowed funds

	2015 KZT'000	2014 KZT'000
Loans from state financial institutions	39,319,092	34,964,212
Loans from the Ministry of Finance of the Republic of Kazakhstan	1,398,738	1,264,939
Loans from foreign banks	3,056,106	1,633,422
	43,773,936	**37,862,573**

As at 31 December 2015, the terms and conditions of the loans outstanding are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount 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
The Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2024-2026	807,213
The 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

25 Other borrowed funds, continued

As at 31 December 2014, the terms and conditions of the loans outstanding are as follows:

	Currency	Average interest rate	Year of maturity	Carrying amount KZT'000
Damu Entrepreneurship Development Fund JSC	KZT	1.10-8.62%	2015-2034	19,523,987
KazAgro National Management Holding JSC	KZT	3.00%	2015-2021	13,438,003
Development Bank of Kazakhstan JSC	KZT	2.00%	2034	2,002,222
The Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2024-2026	908,114
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2024-2025	356,825
Foreign banks	USD	4.46-4.51%	2015	1,633,422
				37,862,573

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 DAMU and DBK were received in accordance with the Government program ("the Program") to finance large corporates, small and medium enterprises 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 DAMU and DBK loan agreements, the Bank is responsible to extend loans to large corporates and SME borrowers, eligible to participate in the Program, with maximum maturity up to 10 years at 6% interest rate. Management of the Bank believes that due to their specific nature, the loans from KazAgro, DAMU and DBK represent a separate segment of borrowings from state companies to support companies operating in certain industries. As a result, the loans from KazAgro, DAMU and DBK 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.

26 Other liabilities

	2015 KZT'000	2014 KZT'000
Prepayments for loans	4,287,777	4,392,583
Liability from continuing involvement (Note 16 (g))	3,715,041	4,653,790
Payment cards settlements	1,496,979	866,762
Accrued administrative expenses	340,978	350,342
Payables to insurance company	335,609	240,763
Payables to borrowers on lending operations	146,064	199,464
Capital expenditures payables	53,023	10,165
Payables to obligatory deposit guarantee fund	-	184,849
Other financial liabilities	1,575,674	1,132,120
Total other financial liabilities	**11,951,145**	**12,030,838**
Amounts payable to employees	553,489	262,968
Other taxes payable	732,899	297,993
Vacation reserve	440,111	627,240
Deferred income	343,799	441,238
Other non-financial liabilities	14,748	2,041
Total other non-financial liabilities	**2,085,046**	**1,631,480**
Total other liabilities	**14,036,191**	**13,662,318**

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.

27 Share capital

(a) Issued capital and share premium

The authorised share capital comprises 33,000,000 ordinary shares (2014: 33,000,000) and 3,000,000 non-redeemable cumulative preference shares (2014: 3,000,000).

918,471 ordinary shares were issued and paid at the nominal value of KZT 6,532.60 per share during the year ended 31 December 2015 (2014: nil).

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

	2015 Shares	2014 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	3,199,352	2,280,881
Total issued and outstanding shares	**17,129,604**	**16,211,133**

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 meetings of the Group.

(b) Dividends

In accordance with Kazakhstan legislation and the Bank's charter documents, distributable reserves are subject to the rules and regulations of the Republic of Kazakhstan.

During the year ended 31 December 2015 no dividends were declared and paid (2014: KZT 1,500,016 thousand or KZT 92.53 per share were declared and paid).

(c) Book value per share

Under the listing rules of the Kazakhstan Stock Exchange the Group should present book value per share in its consolidated financial statements. The book value per share is calculated dividing net assets less intangible assets by number of outstanding ordinary shares. As at 31 December 2015 the book value per share was KZT 4,187.14 (31 December 2014: KZT 3,850.81).

(d) Nature and purpose of reserves

Reserves for general banking risks

Until 2013, in accordance with amendments to the Resolution #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, the Bank had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve.

The requirement was discontinued in 2013 and during the years ended 31 December 2015 and 2014, no transfers to general reserve were made.

In accordance with the amendments to the Resolution # 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.

27 Share capital, continued

(d) Nature and purpose of reserves, continued

Dynamic reserve

In accordance with the NRBK Resolution #137 dated 27 May 2013 On Approval of Rules on Forming Dynamic Reserves by Second-Tier Banks and Establishment of Minimum Size of Dynamic Reserves and Expected Loss, the Bank has established a dynamic reserve calculated using a formula determined in the Rules. In accordance with the Rules, the dynamic reserve cannot be less than zero and should be calculated as the difference between expected losses and actual charge on deductible for tax purposes impairment losses recognised during the reporting quarter in accordance with IFRS net of income from recovery of provisions. Expected losses are estimated based on the increase of loans to customers during the reporting quarter multiplied by certain coefficients. The Resolution has been effective from 1 January 2013.

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

As at 31 December 2015 the non-distributable dynamic reserve of the Group is KZT 7,594,546 thousand (31 December 2014: KZT 6,733,233).

28 Earnings per share

The calculation of earnings per share is based on the net profit, and a weighted average number of ordinary shares outstanding during the period. The Group has no dilutive potential ordinary shares.

	2015 KZT'000	**2014 KZT'000**
Net profit	3,968,652	11,423,630
Weighted average number of ordinary shares	16,299,691	16,211,133
Basic and diluted earnings per ordinary share, in KZT	**243.48**	**704.68**

29 Analysis by segment

The Group has five reportable segments, as described below, which are the Group'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.

- Retail banking – includes loans, deposits and other transactions with retail customers
- Corporate banking – includes loans, deposits and other transactions with corporate customers,
- Assets and Liabilities management – includes maintaining of liquid assets portfolio (cash, nostro accounts with the NBRK, CBRF 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 group financing via interbank borrowings and using derivatives for hedging market risks and investments into liquid securities (corporate bonds).

29 Analysis by segment, continued

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. 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.

	2015 KZT'000	2014 KZT'000
ASSETS		
Corporate banking	311,397,895	254,144,549
Retail banking	298,770,241	283,613,022
Assets and liabilities management	87,128,009	145,493,736
Small and medium size companies banking	44,852,832	40,678,626
Treasury	9,979,435	2,874,478
Unallocated assets	285,032,491	109,163,588
Total assets	**1,037,160,903**	**835,967,999**
LIABILITIES		
Corporate banking	311,074,471	332,921,698
Retail banking	268,977,385	165,272,579
Assets and liabilities management	194,161,595	137,458,516
Small and medium size companies banking	53,842,683	37,683,676
Unallocated liabilities	131,469,829	94,368,780
Total liabilities	**959,525,963**	**767,705,249**

Reconciliations of reportable segment total assets and total liabilities:

	2015 KZT'000	2014 KZT'000
Reportable segment total assets	1,037,160,903	835,967,999
Consolidation effect	16,796,045	3,557,181
Gross presentation of foreign currency swaps	(62,097,210)	(25,883,725)
Other adjustments	(2,863,602)	(5,039,371)
Total assets	**988,996,136**	**808,602,084**

	2015 KZT'000	2014 KZT'000
Reportable segment total liabilities	959,525,963	767,705,249
Consolidation effect	15,339,273	5,131,899
Gross presentation of foreign currency swaps	(62,097,210)	(25,883,725)
Other adjustments	(2,863,602)	(5,039,371)
Total liabilities	**909,904,424**	**741,914,052**

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	-	-	7,531,917	7,743,076
Depreciation and amortisation	(368,426)	(355,150)	(3,051,156)	(57,232)	(223,235)	(301,743)	(4,356,942)

29 Analysis by segment, continued

Segment information for the main reportable segments for the year ended 31 December 2014 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	22,551,716	4,619,251	43,306,111	93,303	1,683,792	593	72,254,766
Fee and commission income	1,952,864	1,721,698	16,074,087	-	-	395,840	20,144,489
Net gain on securities, dealing and translation differences	1,178,290	439,346	1,323,145	762,118	734	1,221	3,704,854
Other income	199,342	111,908	2,953,251	-	-	-	3,264,501
Funds transfer pricing	21,962,635	3,243,102	12,472,676	2,560	20,457,337	107,667	58,245,977
Revenue	**47,844,847**	**10,135,305**	**76,129,270**	**857,981**	**22,141,863**	**505,321**	**157,614,587**
Interest expense	(15,668,188)	(2,576,369)	(10,740,196)	(16,028)	(10,169,049)	(1,075,490)	(40,245,320)
Fee and commission expense	(182,748)	(46,159)	(3,581,541)	(10,614)	(164,140)	(181,017)	(4,166,219)
Impairment losses	(419,017)	(812,367)	(8,119,598)	-	-	-	(9,350,982)
Funds transfer pricing	(16,519,241)	(2,906,689)	(28,279,748)	(201,056)	(10,169,049)	(170,194)	(58,245,977)
Operational costs (direct)	(1,276,946)	(1,421,524)	(10,816,094)	(196,042)	(1,917,995)	(160,428)	(15,789,029)
Operational costs (indirect)	(1,747,765)	(979,318)	(12,381,844)	-	(313,668)	(262,441)	(15,685,036)
Income tax expense	(954,589)	(301,311)	(1,813,802)	(45,493)	(1,517)	(237)	(3,116,949)
Segment result	**11,076,353**	**1,091,568**	**396,447**	**388,748**	**(593,555)**	**(1,344,486)**	**11,015,075**
Other segment items							
Additions of property and equipment	-	-	184,482	-	-	6,534,668	6,719,150
Depreciation and amortisation	(350,390)	(240,614)	(2,332,972)	(45,538)	(214,366)	(116,807)	(3,300,687)

29 Analysis by segment, continued

Reconciliations of reportable segment revenues and profit or loss:

	2015 KZT'000	2014 KZT'000
Reportable segment revenue	185,290,438	157,614,587
Consolidation effect	2,519,113	2,005,514
Funds transfer pricing	(73,821,319)	(58,245,977)
Other adjustments	(9,250,235)	(5,923,284)
Total revenue	**104,737,997**	**95,450,840**
Reportable segment profit	3,408,979	11,015,075
Consolidation effect	249,747	405,232
Difference in impairment losses	(2,437,137)	(677,992)
Other adjustments	2,747,063	681,315
Total profit	**3,968,652**	**11,423,630**

Consolidation effect: consolidation effect occurs due to the fact that the Chairman reviews internal management reports on a stand-alone basis.

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 2015, 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 is an essential element of the Group’s operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk and operational risk.

(a) Risk management policies and procedures

The Group’s risk management policies aim to identify, analyse and manage the risks faced by the Group, 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 its 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 implementing risk mitigation measures and ensuring that the Group 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 and an Asset and Liability Management Committee (the "ALCO"). In order to facilitate efficient and effective decision-making, the Group 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 Group. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the 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 risk. 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, whilst optimising the return on risk.

Market Risk and Liquidity Management Committee (MRLMC) headed by the member of the Group's Management Board shall be 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 Group 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.

In addition, the Group 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 Group'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 Group 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 Group also utilises Value-at-Risk ("VaR") methodology to monitor market risk of its trading positions.

(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 Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its 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.

30 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

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 2015 and 2014 for major financial instruments is as follows:

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	11,174,770	-	-	-	-	74,927,127	86,101,897
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	19,555	5,969,072
Deposits and balances with banks	-	-	-	-	1,081,243	6,038,424	7,119,667
Loans to customers	110,336,097	116,313,745	85,933,004	336,710,012	33,041,475	-	682,334,333
Held-to-maturity investments	145,713	85,281	65,206	10,987,689	12,013,654	-	23,297,543
	121,703,163	**116,790,050**	**113,259,187**	**467,474,728**	**47,743,457**	**80,985,106**	**947,955,691**
LIABILITIES							
Financial instruments at fair value through profit or loss	165,039	-	-	-	-	-	165,039
Deposits and balances from banks	3,418,436	-	1,000,000	230,500	-	1,986,865	6,635,801
Amounts payable under repurchase agreements	2,648,490	-	-	-	-	-	2,648,490
Current accounts and deposits from customers	144,646,327	78,940,397	206,000,346	92,808,446	64,997,134	67,243,642	654,636,292
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
	155,588,072	**82,601,750**	**230,103,524**	**274,966,814**	**81,054,912**	**69,230,507**	**893,545,579**
	(33,884,909)	**34,188,300**	**(116,844,337)**	**192,507,914**	**(33,311,455)**	**11,754,599**	**54,410,112**

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 2014							
ASSETS							
Cash and cash equivalents	6,304,659	-	-	-	-	105,778,363	112,083,022
Financial instruments at fair value through profit or loss	522,544	-	-	4,025,156	-	-	4,547,700
Available-for-sale financial assets	2,546,242	20,935	787	2,988,082	343,403	14,387	5,913,836
Deposits and balances with banks	2,265,426	-	5,156,528	-	578,718	5,475,497	13,476,169
Loans to customers	76,213,642	68,290,020	86,306,835	278,746,723	78,674,879	-	588,232,099
Held-to-maturity investments	17,565,734	24,089	4,016,059	10,920,025	2,658,350	-	35,184,257
	105,418,247	**68,335,044**	**95,480,209**	**296,679,986**	**82,255,350**	**111,268,247**	**759,437,083**
LIABILITIES							
Deposits and balances from banks	2,155,779	-	916,537	156,500	-	241,165	3,469,981
Amounts payable under repurchase agreements	7,353,570	-	-	-	-	-	7,353,570
Current accounts and deposits from customers	126,699,403	74,085,231	167,542,439	75,092,331	60,229,514	44,850,207	548,499,125
Debt securities issued	1,421,329	1,372,326	28,084,838	72,364,114	-	-	103,242,607
Subordinated debt securities issued	182,443	8,884	16,084,191	9,740,966	12,211	-	26,028,695
Other borrowed funds	2,672,496	1,263,284	4,551,188	17,288,320	12,087,285	-	37,862,573
	140,485,020	**76,729,725**	**217,179,193**	**174,642,231**	**72,329,010**	**45,091,372**	**726,456,551**
	(35,066,773)	**(8,394,681)**	**(121,698,984)**	**122,037,755**	**9,926,340**	**66,176,875**	**32,980,532**

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 2015 and 2014. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2015 Average effective interest rate, %			2014 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	-	5.00	-	-	0.40	-
Financial instruments at fair value through profit or loss	-	-	-	-	-	7.00
Available-for-sale financial assets	5.27	4.71	-	3.65	4.41	-
Deposits and balances with banks	-	-	-	7.00	5.50	-
Loans to customers	19.44	8.48	15.51	19.81	9.48	12.14
Held-to-maturity investments	6.18	5.35	6.90	4.38	6.42	-
Interest bearing liabilities						
Deposits and balances from banks						
- Term deposits	12.00	2.84	8.50	9.00	3.50	8.50
Amounts payable under repurchase agreements	73.00	-	-	37.23	-	-
Current accounts and deposits from customers						
- Corporate customers	10.52	3.61	2.52	10.43	2.71	1.49
- Retail customers	8.41	3.41	6.29	7.68	4.13	2.53
Debt securities issued	6.87	8.50	-	9.71	8.33	-
Subordinated debt securities issued	9.11	-	-	11.13	-	-
Other borrowed funds						
- Loans from state financial institutions	4.03	-	-	4.78	-	-
- Loans from foreign banks	-	4.81	-	-	4.49	-
- Loans from the Ministry of Finance of the Republic of Kazakhstan	5.50	1.98	-	5.50	1.83	-

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 rise or fall in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2015 and 2014 is as follows:

	2015		2014	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	360,808	352,475	530,839	530,839
100 bp parallel rise	(360,808)	(352,475)	(530,839)	(530,839)

An analysis of the sensitivity of net profit or loss and equity as a result of changes in the fair value of available-for-sale financial assets due to changes in the interest rates based on positions existing as at 31 December 2015 and 2014 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2015		2014	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	-	197,133	2,144	105,771
100 bp parallel rise	-	(197,133)	(2,144)	(105,771)

(ii) Currency risk

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

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

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	RUB* KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS					
Cash and cash equivalents	55,774,504	6,453,393	5,787,239	422,792	68,437,928
Available-for-sale financial assets	2,685,276	-	-	-	2,685,276
Deposits and balances with banks	2,734,479	82,513	-	-	2,816,992
Loans to customers	202,503,068	6,960,663	9,479,233	-	218,942,964
Held-to-maturity investments	12,272,541	48,913	-	-	12,321,454
Other financial assets	2,757,822	657	618,005	2,342	3,378,826
Total assets	**278,727,690**	**13,546,139**	**15,884,477**	**425,134**	**308,583,440**
LIABILITIES					
Deposits and balances from banks	5,337,783	230,501	22,276	583	5,591,143
Current accounts and deposits from customers	460,042,632	9,846,560	12,969,075	271,824	483,130,091
Debt securities issued	155,523,338	-	-	-	155,523,338
Other borrowed funds	3,647,631	-	-	-	3,647,631
Other financial liabilities	1,769,969	39,872	46,611	479	1,856,931
Total liabilities	**626,321,353**	**10,116,933**	**13,037,962**	**272,886**	**649,749,134**
Net position as at 31 December 2015	**(347,593,663)**	**3,429,206**	**2,846,515**	**152,248**	**(341,165,694)**
The effect of derivatives	360,258,043	2,541,663	(2,600,220)	-	360,199,486
Net position with the effect of derivatives as at 31 December 2015	**12,664,380**	**5,970,869**	**246,295**	**152,248**	**19,033,792**

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 2014:

	USD KZT'000	RUB* KZT'000	EUR KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS					
Cash and cash equivalents	80,521,879	3,824,985	3,484,845	282,740	88,114,449
Financial instruments at fair value through profit or loss	-	522,544	-	-	522,544
Available-for-sale financial assets	905,587	-	-	-	905,587
Deposits and balances with banks	4,128,619	46,371	-	-	4,174,990
Loans to customers	90,557,318	4,264,949	4,942,942	-	99,765,209
Held-to-maturity investments	2,736,497	-	-	-	2,736,497
Other financial assets	3,865,048	783	296,381	-	4,162,212
Total assets	**182,714,948**	**8,659,632**	**8,724,168**	**282,740**	**200,381,488**
LIABILITIES					
Deposits and balances from banks	1,108,191	156,501	10,747	18	1,275,457
Current accounts and deposits from customers	287,469,628	4,779,018	8,681,611	251,844	301,182,101
Debt securities issued	73,195,576	-	-	-	73,195,576
Other borrowed funds	1,990,247	-	-	-	1,990,247
Other financial liabilities	879,530	7,759	15,536	233	903,058
Total liabilities	**364,643,172**	**4,943,278**	**8,707,894**	**252,095**	**378,546,439**
Net position as at 31 December 2014	**(181,928,224)**	**3,716,354**	**16,274**	**30,645**	**(178,164,951)**
The effect of derivatives	181,820,000	-	-	-	181,820,000
Net position with the effect of derivatives as at 31 December 2014	**(108,224)**	**3,716,354**	**16,274**	**30,645**	**3,655,049**

* A portion of the net RUB position equivalent to KZT 8,200,754 thousand (2014: KZT 3,791,284 thousand) is not subject to direct currency risk exposure as it represents net assets of the subsidiary that are remeasured through cumulative translation reserve.

A weakening of the KZT, as indicated below, against the following currencies as at 31 December 2015 and 2014 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 Group 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.

	2015 KZT'000		2014 KZT'000	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
20% appreciation of USD against KZT	2,026,301	2,026,301	(17,316)	(17,316)
20% appreciation of RUB against KZT	(356,782)	(1,194,174)	(11,989)	(743,271)
20% appreciation of EUR against KZT	39,407	39,407	2,604	2,604
20% appreciation of other currencies against KZT	24,360	24,360	4,903	4,903

A strengthening of the KZT against the above currencies as at 31 December 2015 and 2014 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.

30 Risk management, continued

(b) Market risk, continued

(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 Group takes a long or short position in a financial instrument.

(iv) Value at Risk estimates

The Bank utilises 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 Group 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 Group 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.

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

	31 December 2015 KZT'000	31 December 2014 KZT'000
Foreign exchange risk	578,989	195,911

30 Risk management, continued

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures in place to manage credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by 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 Group 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 Group. 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 any time.

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

30 Risk management, continued

(c) Credit risk, continued

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

	2015 KZT'000	2014 KZT'000
ASSETS		
Cash and cash equivalents	58,020,942	76,911,138
Financial instruments at fair value through profit or loss	143,133,179	4,547,700
Available-for-sale financial assets	5,949,517	5,899,449
Deposits and balances with banks	7,119,667	13,476,169
Loans to customers	682,334,333	588,232,099
Held-to-maturity investments	23,297,543	35,184,257
Other financial assets	10,468,948	20,780,471
Total maximum exposure	**930,324,129**	**745,031,283**

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 2015 and 2014 the Group did not have debtors or groups of connected debtors, where credit risk exposure exceeded 10% of the 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 Group's consolidated 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 consolidated 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 Group 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 Group 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 Group will process receivables and payables in a single settlement process or cycle.

The Group 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 table below shows 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 consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Amounts receivable under reverse repurchase agreements	1,000,000	-	1,000,000	(1,043,600)	-	(43,600)
Available-for-sale financial assets	1,240,869	-	1,240,869	(1,115,486)	-	125,383
Held-to-maturity investments	1,705,317	-	1,705,317	(1,533,004)	-	172,313
Loans to customers	96,691,442	-	96,691,442	-	(13,686,647)	83,004,795
Total financial assets	**100,637,628**	**-**	**100,637,628**	**(3,692,090)**	**(13,686,647)**	**83,258,891**
Amounts payable under repurchase agreements	(2,648,490)	-	(2,648,490)	2,648,490	-	-
Current accounts and deposits from customers	(12,940,760)	-	(12,940,760)	(745,887)	13,686,647	-
Total financial liabilities	**(15,589,250)**	**-**	**(15,589,250)**	**1,902,603**	**13,686,647**	**-**

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated 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 13 and 16) 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 Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. Because the Group 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.

30 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2014:

KZT'000 Types of financial assets/liabilities	Gross amounts of recognised financial assets/liabilities	Gross amount of recognised financial assets/liabilities offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position Financial instruments	Related amounts not offset in the consolidated statement of financial position Cash collateral received	Net amount
Available-for-sale financial assets	5,190,687	-	5,190,687	(4,853,006)	-	337,681
Held-to-maturity investments	2,674,557	-	2,674,557	(2,500,564)	-	173,993
Loans to customers	28,971,665	-	28,971,665	-	(4,540,745)	24,430,920
Total financial assets	**66,836,909**	**-**	**36,836,909**	**(7,353,570)**	**(4,540,745)**	**24,942,594**
Amounts payable under repurchase agreements	(7,353,570)	-	(7,353,570)	7,353,570	-	-
Current accounts and deposits from customers	(4,540,745)	-	(4,540,745)	-	4,540,745	-
Total financial liabilities	**(11,894,315)**	**-**	**(11,894,315)**	**7,353,570**	**4,540,745**	**-**

(d) Liquidity risk

Liquidity risk is the risk that the Group 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 Group 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 Group 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.

30 Risk management, continued

(d) Liquidity risk, continued

The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account 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 Group as a whole.

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.

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 liabilities							
Deposits and balances from banks	5,412,333	-	-	1,356,324	-	6,768,657	6,635,801
Amounts payable under repurchase agreements	2,684,082	-	-	-	-	2,684,082	2,648,490
Current accounts and deposits from customers	140,253,907	77,438,128	83,958,116	213,514,119	206,399,628	721,563,898	654,636,292
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	8,144,583	10,644	66,792	14,929	3,714,197	11,951,145	11,951,145
Derivative liabilities							
- Inflow	(65,243,449)	-	-	-	-	(65,243,449)	-
- Outflow	65,408,488	-	-	-	-	65,408,488	165,039
Total liabilities	**156,839,297**	**80,227,672**	**92,368,656**	**227,564,461**	**468,154,740**	**1,025,154,826**	**905,496,724**
Credit related commitments	85,446,695	-	-	-	-	85,446,695	85,446,695

30 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2014 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	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks	241,943	2,182,500	-	944,282	203,369	3,572,094	3,469,981
Amounts payable under repurchase agreements	7,408,893	-	-	-	-	7,408,893	7,353,570
Current accounts and deposits from customers	127,559,213	47,805,817	79,795,441	175,185,017	186,569,526	616,915,014	548,499,125
Debt securities issued	43,768	325,218	4,069,613	24,408,947	100,117,849	128,965,395	103,242,607
Subordinated debt securities issued	675	275,000	991,295	6,266,970	37,658,341	45,192,281	26,028,695
Other borrowed funds	1,055,268	1,093,331	1,552,350	5,907,637	38,775,437	48,384,023	37,862,573
Other financial liabilities	7,295,281	67,285	497	14,381	4,653,394	12,030,838	12,030,838
Total liabilities	**143,605,041**	**51,749,151**	**86,409,196**	**212,727,234**	**367,977,916**	**862,468,538**	**738,487,389**
Credit related commitments	49,356,962	-	-	-	-	49,356,962	49,356,962

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 Group 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 consolidated 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	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	86,101,897	-	-	-	-	-	-	86,101,897
Available-for-sale financial assets	-	46,583	391,812	3,904,037	1,607,085	19,555	-	5,969,072
Deposits and balances with banks	4,301,133	11,871	105,294	11,000	2,690,369	-	-	7,119,667
Loans to customers	30,667,599	46,810,887	201,983,793	336,592,335	30,749,662	-	35,530,057	682,334,333
Held-to-maturity investments	145,713	-	150,486	10,987,690	12,013,654	-	-	23,297,543
Current tax asset	2,316,687	-	-	-	-	-	-	2,316,687
Property, equipment and intangible assets	-	-	-	-	-	25,753,653	-	25,753,653
Other assets	5,881,643	650,037	1,174,368	3,130	4,563,525	665,443	31,959	12,970,105
Total assets	**129,414,672**	**47,519,378**	**203,805,753**	**351,498,192**	**51,624,295**	**26,438,651**	**35,562,016**	**845,862,957**
Non-derivative liabilities								
Deposits and balances from banks	5,361,272	-	1,000,000	206,527	68,002	-	-	6,635,801
Amounts payable under repurchase agreements	2,648,490	-	-	-	-	-	-	2,648,490
Current accounts and deposits from customers	137,832,482	73,344,411	284,966,192	93,388,830	65,104,377	-	-	654,636,292
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	-	-	-	-	-	2,322,654	-	2,322,654
Other liabilities	8,907,512	774,161	603,024	37,660	3,713,834	-	-	14,036,191
Total liabilities	**155,201,383**	**76,171,463**	**294,292,109**	**277,660,371**	**104,091,405**	**2,322,654**	**-**	**909,739,385**
Net position	**(25,786,711)**	**(28,652,085)**	**(90,486,356)**	**73,837,821**	**(52,467,110)**	**24,115,997**	**35,562,016**	**(63,876,428)**

30 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position, excluding derivative instruments, as at 31 December 2014:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	112,083,022	-	-	-	-	-	-	112,083,022
Financial instruments at fair value through profit or loss	522,544	-	-	-	-	-	-	522,544
Available-for-sale financial assets	-	2,546,242	21,722	2,988,082	343,403	14,387	-	5,913,836
Deposits and balances with banks	6,017,897	2,299,549	5,158,209	54	460	-	-	13,476,169
Loans to customers	28,811,294	35,441,127	151,867,444	274,591,539	75,860,787	-	21,659,908	588,232,099
Held-to-maturity investments	5,570,411	11,995,323	4,040,148	10,920,025	2,658,350	-	-	35,184,257
Current tax asset	2,146,329	-	-	-	-	-	-	2,146,329
Property, equipment and intangible assets	-	-	-	-	-	22,847,412	-	22,847,412
Other assets	4,189,911	9,908,296	4,326,641	7,002	5,535,622	179,939	23,849	24,171,260
Total assets	**159,341,408**	**62,190,537**	**165,414,164**	**288,506,702**	**84,398,622**	**23,041,738**	**21,683,757**	**804,576,928**
Non-derivative liabilities								
Deposits and balances from banks	205,474	2,155,000	916,537	156,500	36,470	-	-	3,469,981
Amounts payable under repurchase agreements	7,353,570	-	-	-	-	-	-	7,353,570
Current accounts and deposits from customers	125,320,110	44,150,397	243,126,793	75,604,454	60,297,371	-	-	548,499,125
Debt securities issued	38,662	215,005	21,789,374	73,746,782	7,452,784	-	-	103,242,607
Subordinated debt securities issued	638	181,806	5,255,109	9,740,966	10,850,176	-	-	26,028,695
Other borrowed funds	1,255,846	527,674	5,585,430	17,847,328	12,646,295	-	-	37,862,573
Deferred tax liabilities	-	-	-	-	-	1,795,183	-	1,795,183
Other liabilities	7,691,581	626,846	675,343	15,154	4,653,394	-	-	13,662,318
Total liabilities	**141,865,881**	**47,856,728**	**277,348,586**	**177,111,184**	**95,936,490**	**1,795,183**	**-**	**741,914,052**
Net position	**17,475,527**	**14,333,809**	**(111,934,422)**	**111,395,518**	**(11,537,868)**	**21,246,555**	**21,683,757**	**62,662,876**

30 Risk management, continued

(d) Liquidity risk, continued

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
- The balance of customer accounts and deposits from related parties, which is due up to 1 year, is KZT 89,474,724 thousand as at 31 December 2015. 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 Group'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 Group'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 Group's operations.

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

The Group 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 Group.

The Bank and its subsidiaries are directly supervised by their respective local regulators. There are no external capital requirements imposed to the Group as a whole.

During the year ended 31 December 2014 the Bank defined as capital those items defined by statutory regulation as capital for credit institutions:

- Tier 1 capital, which is comprised of ordinary and preference share capital, share premium, prior periods' retained earnings/accumulated losses and reserves created thereof, qualifying perpetual debt less intangible assets and current year losses. Starting from 1 February 2014, tier 1 capital included the dynamic reserve.

- Total capital, which is the sum of tier 1 capital, tier 2 capital (in the amount not exceeding tier 1 capital) and tier 3 capital (in the amount not exceeding 250% of the portion of tier 1 capital attributed to cover market risk) less investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of statutory net income for the current year, revaluation reserves, qualifying subordinated liabilities and before 1 February 2014 dynamic reserve in the amount not exceeding 1.25% of risk-weighted assets.

Tier 3 capital is required for the purposes of calculation of total capital and includes subordinated liabilities not included into tier 2 capital.

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

31 Capital management, continued

Under the capital requirements as at 31 December 2014 set by the NBRK banks had to maintain:

- a ratio of tier 1 capital less investments to total assets less investments (k1-1)
- a ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets, contingent assets and liabilities, and a quantitative measure of operational risk (k1-2)
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities, market risk-weighted assets, contingent assets and liabilities, and a quantitative measure of operational risk (k2).

Investments for the purposes of calculation of the above ratios represent investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

As at 31 December 2014 the minimum level of ratios as applicable to the Bank were as follows:

- k1-1 – not less than 0.05
- k1-2 – not less than 0.05
- k2 – not less than 0.10.

During 2015 the NBRK completed the transition to the international regulatory framework for banks Basel III. Hence new capital requirements for the Bank were set from 1 January 2015. Since then, the Bank defines as capital those items defined by statutory regulation as capital for credit institutions.

- As at 31 December 2015, 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, 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 in KZT less investments in subordinated debt of financial institutions the Bank holds 10% and more shares in.

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

There are a set of different limitations and classification criteria applied to the above listed total capital elements.

In accordance with the regulations set by the NBRK as at 31 December 2015 the Bank has to maintain total capital adequacy within the following coefficients:

- a ratio of basic capital to the sum of credit risk-weighted assets, contingent liabilities and derivative financial instruments and market risk-weighted assets and contingent liabilities and quantified operational risk (k1)
- a ratio of tier 1 capital to the sum of credit risk-weighted assets, contingent liabilities and derivative financial instruments and market risk-weighted assets and contingent liabilities and quantified operational risk (k1-2)
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities and derivative financial instruments, market risk-weighted assets, contingent assets and liabilities, and a quantitative measure of operational risk (k2).

As at 31 December 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.

31 Capital management, continued

The following table shows the composition of the capital position calculated in accordance with the FMSA requirements established by the Rules # 358 dated 30 September 2005 as at 31 December 2015 and 31 December 2014:

	31 December 2015 KZT'000	31 December 2014 KZT'000
Tier 1 capital		
Basic capital:		
Ordinary share capital[1]	36,110,211	30,110,207
Additional paid-in capital	2,025,632	2,025,632
Statutory retained earnings of prior years	21,246,598	10,231,524
Retained earnings of current period [2]	3,548,260	-
Reserves formed from statutory retained earnings of prior years	8,234,923	8,234,923
Dynamic reserve subject to limitation of 1.25% of risk-weighed statutory assets	6,719,532	6,719,532
Revaluation reserve of available-for-sale financial assets [3]	(183,462)	-
Statutory adjustments:		
Intangible assets including goodwill[4]	(7,006,939)	(1,703,394)
Tier 1 capital	**70,694,755**	**55,618,424**
Tier 2 capital		
Revaluation reserve of available-for-sale financial assets	-	(74,143)
Unamortised portion of subordinated debt limited to 50% of tier 1 capital	18,942,973	21,578,886
Retained earnings of current period	-	11,015,075
Total tier 2 capital	**18,942,973**	**32,519,818**
Total capital	**89,637,728**	**88,138,242**
Total statutory assets less not invested funds accepted based on custody agreements	**Not applicable**	**834,784,096**
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk		
Credit risk-weighted assets	804,761,025	699,177,181
Credit risk-weighted contingent liabilities	43,987,260	30,395,990
Credit risk-weighted derivative financial instruments	39,044	-
Market risk-weighted assets and contingent liabilities	1,777,146	953,010
Operational risk	23,554,643	22,498,003
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk	**874,119,118**	**753,024,184**
k1 (31 December 2014: k1-1)	**0.081**	**0.067**
k1-2	**0.081**	**0.074**
k2	**0.103**	**0.117**

The Group'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 considered 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.

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[1] *As at 31 December 2014 share capital comprise of ordinary and preference shares.*
[2] *As at 31 December 2014 retained earnings of current period is included in tier 2 capital.*
[3] *As at 31 December 2014 revaluation reserve of available-for-sale financial assets is included in tier 2 capital.*
[4] *As at 31 December 2014 licences used for banking activities and accounted under IAS 38 Intangible assets are excluded from intangible assets.*

32 Credit related commitments

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

The Group 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 Group 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 counterparties failed completely to perform as contracted.

	2015 KZT'000	**2014 KZT'000**
Contracted amount		
Loan and credit line commitments	49,051,753	24,533,434
Guarantees	34,924,212	21,805,930
Letters of credit	1,470,730	3,017,598
	85,446,695	**49,356,962**

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 2015 the Group has 3 customers whose balances exceed 10% of total commitments (31 December 2014: 1 customer). The value of these commitments as at 31 December 2015 is KZT 44,056,565 thousand (31 December 2014: KZT 8,752,800 thousand).

33 Operating lease

Leases as lessee

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

	2015 KZT'000	**2014 KZT'000**
Less than 1 year	1,640,490	378,333
Between 1 and 5 years	4,802,873	1,741,258
	6,443,363	**2,119,591**

The Group 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. None of the leases includes contingent rentals.

During the current year KZT 1,966,505 thousand was recognised as an expense in profit or loss in respect of operating leases (2014: KZT 1,725,183 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 Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or related to operations. Until the Group 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 financial position.

(b) Litigation

In the ordinary course of business, the Group 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. Taxes are subject to review and investigation by a number of authorities that have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the 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 Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

35 Related party transactions

(a) Control relationships

The Group'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 Group's Parent company.

(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:

	2015 KZT'000	2014 KZT'000
Members of the Board of Directors	824,850	1,091,509
Members of the Management Board	509,543	638,932
Other key management personnel	1,613,098	1,635,777
	2,947,491	**3,366,218**

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 2015 and 2014 for transactions with members of the Board of Directors, the Management Board and other key management personnel are as follows:

	2015 KZT'000	Average effective interest rate, %	2014 KZT'000	Average effective interest rate, %
Consolidated statement of financial position				
ASSETS				
Loans to customers	42,354	9.67	329,427	6.02
LIABILITIES				
Current accounts and deposits from customers	12,362,211	6.43	7,269,012	7.27

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:

	2015 KZT'000	2014 KZT'000
Profit or loss		
Interest income	188	12,213
Interest expense	(340,384)	(658,743)

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 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**		**Other related parties***		
	KZT'000	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**KZT'000**	**Average effective interest rate, %**	**Total KZT'000**
Consolidated statement of financial position							
ASSETS							
Loans to customers (principal balance)							
- In KZT	-	-	-	-	12,076,417	9.57	12,076,417
- In USD	-	-	-	-	99,828,328	6.51	99,828,328
- In other currencies	-	-	-	-	-	-	-
Loans to customers (allowance for impairment)	-	-	-	-	(685,958)	-	(685,958)
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**		**Other related parties***		
	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 customers							
- In KZT	5,924	-	1,282,386	11.45	5,502,962	4.48	6,791,272
- In USD	180,498	0.01	1,661,934	3.94	67,151,106	2.04	68,993,538
- In other currencies	-	-	83,740	-	1,262,481	4.28	1,346,221
Debt securities issued							
- In KZT	34,828	7.41	40,586	5.68	-	-	75,414
- In USD	-	-	12,139,375	8.50	-	-	12,139,375
Subordinated debt securities issued							
- In KZT	-	-	24,770	5.39	-	-	24,770
Other liabilities							
- In KZT	-	-	337,708	-	3,214	-	340,922
Items not recognised in the consolidated statement of financial position							
Guarantees received	-	-	-	-	4,829,314	-	4,829,314
Profit/(loss)							
Interest income	-	-	-	-	3,640,204	-	3,640,204
Interest expense	(7,445)	-	(846,150)	-	(2,254,801)	-	(3,108,396)
Fee and commission income	690	-	27,192	-	422,018	-	449,900
Net foreign exchange gain	(50,707)	-	(5,801,034)	-	17,701,074	-	11,849,333
Other operating expenses, net	-	-	-	-	(58,354)	-	(58,354)
Impairment losses	-	-	-	-	(451,321)	-	(451,321)
Other general administrative expenses	-	-	(40,008)	-	(25,869)	-	(65,877)

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 2014 and related profit or loss amounts of transactions for the year ended 31 December 2014 with other related parties are as follows:

31 December 2014	**Parent company**		**Other subsidiaries of the Parent company**		**Other related parties***		
	KZT'000	**Average interest rate, %**	**KZT'000**	**Average interest rate, %**	**KZT'000**	**Average interest rate, %**	**Total KZT'000**
Consolidated statement of financial position							
ASSETS							
Loans to customers (principal balance)							
- In KZT	-	-	-	-	4,161,605	11.82	4,161,605
- In USD	-	-	-	-	33,774,250	6.84	33,774,250
- In other currencies	-	-	-	-	363,154	10.00	363,154
Loans to customers (allowance for impairment)	-	-	-	-	(126,210)	-	(126,210)
Other assets							
- In KZT	-	-	1,190,659	-	248	-	1,190,907

35 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2014	Parent company		Other subsidiaries of the Parent company		Other related parties*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
LIABILITIES							
Deposits and balances from customers							
- In KZT	16,692	4.13	3,876,711	6.98	13,449,572	4.98	17,342,975
- In USD	2,188,686	2.00	88,818	1.66	68,549,106	2.02	70,826,610
- In other currencies	-	-	269,331	0.83	2,618,806	1.21	2,888,137
Debt securities issued							
- In KZT	34,231	6.58	703,736	12.76	-	-	737,967
Subordinated debt securities issued							
- In KZT	-	-	39,827	9.23	-	-	39,827
Other liabilities							
- In KZT	-	-	241,397	-	4,888	-	246,285
- In other currencies	-	-	-	-	13,964	-	13,964
Items not recognised in the consolidated statement of financial position							
Loans and credit line commitments	-	-	-	-	444,074	-	444,074
Guarantees received	-	-	-	-	2,751,144	-	2,751,144
Letters of credit	-	-	-	-	2,404,096	-	2,404,096
Profit/(loss)							
Interest income	-	-	-	-	1,628,932	-	1,628,932
Interest expense	(8,750)	-	(230,118)	-	(1,996,459)	-	(2,235,327)
Fee and commission income	719	-	41,356	-	459,008	-	501,083
Other operating expenses, net	(246,132)	-	97,476	-	(134,999)	-	(283,655)
Impairment losses	-	-	-	-	(52,266)	-	(52,266)
Other general administrative expenses	-	-	-	-	(34,391)	-	(34,391)

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

As at 31 December 2015 loans to customers in the amount of KZT 98,660,897 thousand were insured by an insurance company under common control (31 December 2014: KZT 41,753,759 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 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	-	-	86,101,897	-	-	86,101,897	86,101,897
Financial instruments at fair value through profit or loss	143,133,179	-	-	-	-	143,133,179	143,133,179
Available-for-sale financial assets	-	-	-	5,969,072	-	5,969,072	5,969,072
Deposits and balances with banks	-	-	7,119,667	-	-	7,119,667	7,119,667
Loans to customers							
Loans to corporate customers	-	-	398,738,739	-	-	398,738,739	387,473,857
Loans to retail customers	-	-	283,595,594	-	-	283,595,594	270,603,760
Held-to-maturity investments							
Government bonds	-	18,170,530	-	-	-	18,170,530	17,588,747
Corporate bonds	-	5,127,013	-	-	-	5,127,013	4,915,417
Other financial assets	-	-	10,468,948	-	-	10,468,948	10,468,948
	143,133,179	**23,297,543**	**786,024,845**	**5,969,072**	**-**	**958,424,639**	**933,374,544**
Financial instruments at fair value through profit or loss	165,039	-	-	-	-	165,039	165,039
Deposits and balances from banks	-	-	-	-	6,635,801	6,635,801	6,635,801
Amounts payable under repurchase agreements	-	-	-	-	2,648,490	2,648,490	2,648,490
Current accounts and deposits from customers	-	-	-	-	654,636,292	654,636,292	666,197,209
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	-	-	-	-	11,951,145	11,951,145	11,951,145
	165,039	**-**	**-**	**-**	**905,331,685**	**905,496,724**	**912,135,366**

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 2014:

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	112,083,022	-	-	112,083,022	112,083,022
Financial instruments at fair value through profit or loss	4,547,700	-	-	-	-	4,547,700	4,547,700
Available-for-sale financial assets	-	-	-	5,913,836	-	5,913,836	5,913,836
Deposits and balances with banks	-	-	13,476,169	-	-	13,476,169	13,476,169
Loans to customers							
Loans to corporate customers	-	-	297,147,120	-	-	297,147,120	289,804,993
Loans to retail customers	-	-	291,084,979	-	-	291,084,979	283,849,678
Held-to-maturity investments							
Government bonds	-	32,447,760	-	-	-	32,447,760	32,427,946
Corporate bonds	-	2,736,497	-	-	-	2,736,497	2,510,777
Other financial assets	-	-	20,780,471	-	-	20,780,471	20,780,471
	4,547,700	**35,184,257**	**734,571,761**	**5,913,836**	**-**	**780,217,554**	**765,394,592**
Deposits and balances from banks	-	-	-	-	3,469,981	3,469,981	3,469,981
Amounts payable under repurchase agreements	-	-	-	-	7,353,570	7,353,570	7,353,570
Current accounts and deposits from customers	-	-	-	-	548,499,125	548,499,125	549,271,150
Debt securities issued	-	-	-	-	103,242,607	103,242,607	102,402,013
Subordinated debt securities issued	-	-	-	-	26,028,695	26,028,695	24,431,940
Other borrowed funds	-	-	-	-	37,862,573	37,862,573	37,862,573
Other financial liabilities	-	-	-	-	12,030,838	12,030,838	12,030,838
	-	**-**	**-**	**-**	**738,487,389**	**738,487,389**	**736,822,065**

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 Group 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 Group uses widely recognised valuation models to determine the fair value of common and simpler 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 Group 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 includes 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 19,555 thousand (2014: KZT 14,387 thousand) cannot be determined.

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

- discount rates of 4.5 – 21.6% and 6.0 – 18.7% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively
- discount rates of 0.2 – 21.2% and 0.1 – 9.7% 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 Group measures fair values for financial instruments recorded on the consolidated 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 significant 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 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

The table below analyses financial instruments measured at fair value at 31 December 2014, 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			
- Debt instruments	522,544	-	522,544
- Derivative assets	-	4,025,156	4,025,156
Available-for-sale financial assets			
- Debt instruments	5,899,449	-	5,899,449

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 2015 and 2014 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs, except for swaps with the NBRK.

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 Group estimates the fair values of the swaps transacted with the NBRK using valuation techniques.

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

(b) Fair value hierarchy, continued

Unobservable valuation differences on initial recognition, continued

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 Group 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 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 beginning of the year	4,025,156	-
Net gain on financial instruments at fair value through profit or loss (Note 13)	132,353,658	165,039
Prepayment of interest (Note 13)	6,754,365	-
Balance at end of the year	**143,133,179**	**165,039**

The following table shows a reconciliation for the year ended 31 December 2014 for fair value measurements in Level 3 of the fair value hierarchy:

	Financial instruments at fair value through profit or loss
KZT'000	**Derivative assets**
Balance at beginning of the year	-
Net loss on financial instruments at fair value through profit or loss (Note 13)	(608,869)
Prepayment of interest (Note 13)	4,634,025
Balance at end of the year	**4,025,156**

To determine the fair value of the swaps, management assumed interest rates in KZT within the range of 7.00%-13.90% and of 0.78%-1.08% in USD. Management assumes that the early termination right will not be exercised by NBRK until maturity.

Although the Group 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 2015 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 2,005,243 thousand.

As at 31 December 2015 if the right of early termination to be exercised in 3 months earlier, the effect on profit or loss will be a decrease in the fair value of KZT 2,134,086 thousand.

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

(b) Fair value hierarchy, continued

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	86,101,897	-	86,101,897	86,101,897
Deposits and balances with banks	7,119,667	-	7,119,667	7,119,667
Loans to customers	617,617,558	45,754,062	663,371,620	682,334,333
Held-to-maturity investments	22,504,164	-	22,504,164	23,297,543
Liabilities				
Deposits and balances from banks	6,635,801	-	6,635,801	6,635,801
Amounts payable under repurchase agreements	2,648,490	-	2,648,490	2,648,490
Current accounts and deposits from customers	666,197,209	-	666,197,209	654,636,292
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

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 2014:

KZT’000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	112,083,022	-	112,083,022	112,083,022
Deposits and balances with banks	13,476,169	-	13,476,169	13,476,169
Loans to customers	546,117,347	27,537,324	573,654,671	588,232,099
Held-to-maturity investments	34,938,723	-	34,938,723	35,184,257
Liabilities				
Deposits and balances from banks	3,469,981	-	3,469,981	3,469,981
Amounts payable under repurchase agreements	7,353,570	-	7,353,570	7,353,570
Current accounts and deposits from customers	549,271,150	-	549,271,150	548,499,125
Debt securities issued	102,402,013	-	102,402,013	103,242,607
Subordinated debt securities issued	24,431,940	-	24,431,940	26,028,695
Other borrowed funds	37,862,573	-	37,862,573	37,862,573
Other financial liabilities	12,030,838	-	12,030,838	12,030,838

37 Acquisition of subsidiary

On 30 December 2015 the Bank acquired a subsidiary, BankPozitiv Kazakhstan JSC, located in Almaty, Republic of Kazakhstan which was substantially renamed to EU Bank (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 would be merged with its parent bank.

The Group accounted for this transaction in accordance with IFRS 3 because the Group obtained control of an integrated set of activities and assets that is capable of being conducted and managed to provide a return to the Group. Taking control of BankPozitiv Kazakhstan JSC will enable the Group to expand its presence in the certain segments of Kazakhstan financial services market**.**

If the acquisition had occurred on 1 January 2015, interest and other operating income and the profit before income tax of the Group for the year would have been higher by KZT 1,233,037 thousand. In determining these figures it has been assumed that the fair value adjustments at 1 January 2015 would have been the same as the fair value adjustments that arose on the date of acquisition.

Total fair value of identified net assets was determined on the basis of valuation report of an independent appraiser and amounted to KZT 11,779,202 thousand. The difference of KZT 3,830,086 thousand between the fair value of identifiable assets, liabilities and contingent liabilities and the consideration paid was recognised as gain from acquisition of subsidiary in the consolidated statement of profit or loss and other comprehensive income.

The fair value amounts of assets and liabilities of the acquired subsidiary recognised in the Group's consolidated financial statements were as follows at the date of acquisition:

KZT'000	**Recognised amounts on acquisition**
ASSETS	
Cash and cash equivalents	8,077,591
Available-for-sale financial assets	2,200
Loans to banks	58,601
Loans to customers	13,044,849
Current tax asset	18,822
Property, equipment and intangible assets	566,952
Other assets	484,144
LIABILITIES	
Deposits and balances from banks	(64,281)
Current accounts and deposits from customers	(10,101,914)
Deferred tax liabilities	(162,223)
Other liabilities	(145,539)
Net identifiable assets and liabilities	**11,779,202**
Consideration paid	(7,949,116)
Cash acquired	8,077,591
Net cash inflow*	**128,475**