Eurasian Bank JSC

Unconsolidated Financial Statements

for the year ended 31 December 2015

Contents

KPMG

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Independent Auditors' Report

To the Board of Directors of Eurasian Bank JSC

We have audited the accompanying unconsolidated financial statements of Eurasian Bank JSC (the "Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2015, and the unconsolidated 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 Unconsolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these unconsolidated 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 unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated 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 unconsolidated 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 unconsolidated financial statements.

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

«КПМГ Аудит» ЖШС, Қазақстанда тіркелген, Швейцария заңнамасы бойынша тіркелген KPMG International Cooperative ("KPMG International") қауымдастығына кіретін KPMG тәуелсіз фирмалар желісінің мүшесі.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Bank 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	90,067,327	78,953,172
Interest expense	4	(48,269,191)	(39,734,225)
Net interest income		**41,798,136**	**39,218,947**
Fee and commission income	5	9,654,614	11,382,842
Fee and commission expense		(617,183)	(769,699)
Net fee and commission income		**9,037,431**	**10,613,143**
Net gain/(loss) on financial instruments at fair value through profit or loss	6	127,796,482	(608,022)
Net foreign exchange (loss)/gain	7	(129,258,291)	3,109,312
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 merging of subsidiary	18	3,830,086	-
Other operating expenses, net		(426,366)	(290,010)
Operating income		**53,332,510**	**53,174,832**
Impairment losses	8	(19,422,586)	(10,028,974)
Personnel expenses	9	(15,302,993)	(15,926,456)
Other general administrative expenses	10	(14,075,971)	(13,084,054)
Profit before income tax		**4,530,960**	**14,135,348**
Income tax expense	11	(893,457)	(3,116,950)
Profit for the year		**3,637,503**	**11,018,398**
Other comprehensive 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
Total items that are or may be reclassified subsequently to profit or loss		(109,319)	(22,490)
Total other comprehensive loss for the year		**(109,319)**	**(22,490)**
Total comprehensive income for the year		**3,528,184**	**10,995,908**
Basic and diluted earnings per ordinary share, in KZT	29	223.16	679.68

The unconsolidated financial statements as set out on pages 5 to 84 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 unconsolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	Note	2015 KZT'000	2014 KZT'000
ASSETS			
Cash and cash equivalents	12	73,681,092	109,816,471
Financial instruments at fair value through profit or loss	13	143,133,179	4,025,156
Available-for-sale financial assets	14	5,966,872	5,913,836
Deposits and balances with banks	15	6,978,553	13,429,798
Loans to customers	16	660,268,816	582,292,908
Held-to-maturity investments	17	23,196,649	35,184,257
Investment in subsidiary	18	7,097,853	5,607,853
Current tax asset		2,235,201	2,145,193
Property, equipment and intangible assets	19	24,822,425	22,558,807
Net assets receivable from merged subsidiary	18	11,779,202	-
Other assets	20	12,378,960	24,070,624
Total assets		**971,538,802**	**805,044,903**
LIABILITIES			
Financial instruments at fair value through profit or loss	13	165,039	-
Deposits and balances from banks	21	6,832,453	3,317,312
Amounts payable under repurchase agreements	22	2,648,490	7,353,570
Current accounts and deposits from customers	23	638,770,135	543,556,833
Debt securities issued	24	164,624,569	103,242,607
Subordinated debt securities issued	25	21,061,452	26,028,695
Other borrowed funds	26	43,773,936	37,862,573
Deferred tax liabilities	11	2,024,080	1,791,912
Other liabilities	27	13,847,711	13,628,652
Total liabilities		**893,747,865**	**736,782,154**
EQUITY			
Share capital	28	36,110,211	30,110,207
Share premium		2,025,632	2,025,632
Reserve for general banking risks		8,234,923	8,234,923
Dynamic reserve		6,733,233	6,733,233
Revaluation reserve for available-for-sale financial assets		(183,462)	(74,143)
Retained earnings		24,870,400	21,232,897
Total equity		**77,790,937**	**68,262,749**
Total liabilities and equity		**971,538,802**	**805,044,903**

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

	2015 KZT'000	2014 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	70,725,330	70,857,845
Interest payments	(49,789,565)	(38,749,370)
Fee and commission receipts	9,000,267	11,235,061
Fee and commission payments	(617,183)	(769,699)
Net payments for financial instruments at fair value through profit or loss	(6,754,365)	(4,534,097)
Net receipts from foreign exchange	4,053,282	3,477,365
Other payments	(450,714)	(298,813)
Personnel expenses payments	(15,008,444)	(16,553,776)
Other general administrative expenses payments	(9,517,277)	(10,178,387)
(Increase)/decrease in operating assets		
Deposits and balances with banks	7,541,460	(9,919,080)
Loans to customers	29,015,481	(155,478,489)
Other assets	6,760,998	1,044,081
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	1,875,172	(9,752,642)
Amounts payable under repurchase agreements	(4,686,003)	(1,479,999)
Current accounts and deposits from customers	(120,806,809)	117,594,280
Other liabilities	(1,565,733)	1,158,531
Net cash used in operating activities before income tax paid	**(80,224,103)**	**(42,347,189)**
Income tax paid	(808,004)	(2,452,101)
Cash flows used in operating activities	**(81,032,107)**	**(44,799,290)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiary	(7,949,116)	-
Contribution into share capital of subsidiary	(1,490,000)	-
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	(6,581,306)	(52,871,716)
Redemption of held-to-maturity investments	21,500,000	41,419,634
Purchases of property, equipment and intangible assets	(5,708,073)	(6,597,689)
Sales of property, equipment and intangible assets	530,797	315,802
Cash flows from/(used in) investing activities	**1,286,341**	**(12,765,762)**
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)	(18,219,864)
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)**	**74,005,200**
Net (decrease)/increase in cash and cash equivalents	**(83,444,347)**	**16,440,148**
Effect of changes in exchange rates on cash and cash equivalents	47,308,968	12,362,164
Cash and cash equivalents as at the beginning of the year	109,816,471	81,014,159
Cash and cash equivalents as at the end of the year (Note 12)	**73,681,092**	**109,816,471**

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

KZT'000	**Share capital**	**Share premium**	**Reserve for general banking risks**	**Dynamic reserve**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total**
Balance as at 1 January 2014	30,110,207	2,025,632	8,234,923	6,733,233	(51,653)	11,714,515	58,766,857
Total comprehensive income							
Profit for the year	-	-	-	-	-	11,018,398	11,018,398
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
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	*(22,490)*	-	*(22,490)*
Total other comprehensive loss	-	-	-	-	(22,490)	-	(22,490)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(22,490)**	**11,018,398**	**10,995,908**
Transactions with owners, recorded directly in equity							
Dividends declared (Note 27 (b))	-	-	-	-	-	(1,500,016)	(1,500,016)
Balance as at 31 December 2014	**30,110,207**	**2,025,632**	**8,234,923**	**6,733,233**	**(74,143)**	**21,232,897**	**68,262,749**

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

KZT'000	Share capital	Share premium	Reserve for general banking risks	Dynamic reserve	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total
Balance as at 1 January 2015	30,110,207	2,025,632	8,234,923	6,733,233	(74,143)	21,232,897	68,262,749
Total comprehensive income							
Profit for the year	-	-	-	-	-	3,637,503	3,637,503
Other comprehensive loss							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets	-	-	-	-	(98,620)	-	(98,620)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	(10,699)	-	(10,699)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	-	*(109,319)*	-	*(109,319)*
Total other comprehensive loss	-	-	-	-	(109,319)	-	(109,319)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(109,319)**	**3,637,503**	**3,528,184**
Transactions with owners, recorded directly in equity							
Shares issued (Note 27 (a))	6,000,004	-	-	-	-	-	6,000,004
Balance as at 31 December 2015	**36,110,211**	**2,025,632**	**8,234,923**	**6,733,233**	**(183,462)**	**24,870,400**	**77,790,937**

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

1 Background

(a) Organisation and operations

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

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

As at 31 December 2015 the Bank has 16 regional branches (2014: 20) and 130 cash settlement centers (2014: 143) from which it conducts business throughout the Republic of Kazakhstan.

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

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

On 30 December 2015 the Bank acquired a subsidiary, BankPozitiv Kazakhstan JSC, located in Almaty, Republic of Kazakhstan which was renamed to EU Bank (SB 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 18).

(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 Bank's operations are primarily located in the Republic of Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. Legal, tax and regulatory frameworks are being developed and are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Republic of Kazakhstan. In addition, significant devaluation of Tenge and drop of the oil prices have increased the risk of uncertainty in business environment. The unconsolidated 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 Bank. The future business environment may differ from the management's assessment.

2 Basis of preparation

(a) Statement of compliance

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

The Bank also prepares consolidated financial statements for the year ended 31 December 2015 in accordance with IFRS that can be obtained from the Bank's head office at 56, Kunayev str., Almaty, the Republic of Kazakhstan.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

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

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

- insurance agent services income – Note 5
- loan impairment estimates – Note 16
- estimates of fair value of financial assets and liabilities – Note 37
- financial instruments at fair value through profit or loss – Note 13.

3 Significant accounting policies

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

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

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

(b) Foreign currency

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

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks and deposits with banks with original maturities of less than three months. Cash and cash equivalents are carried at amortised cost in the unconsolidated statement of financial position.

(d) Financial instruments

(i) Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking

- derivative financial instruments (except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,

- upon initial recognition, designated as at fair value through profit or loss.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Classification, continued

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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

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

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

- intends to sell immediately or in the near term

- upon initial recognition designates as at fair value through profit or loss

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

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

- the Bank upon initial recognition designates as at fair value through profit or loss

- the Bank designates as available-for-sale or,

- meet the definition of loans and receivables.

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

(ii) Recognition

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

3 Significant accounting policies, continued

(d) Financial instruments, continued

(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 origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(v) Fair value measurement principles

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

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

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

3 Significant accounting policies, continued

(d) Financial instruments, continued

(v) Fair value measurement principles, continued

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

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

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

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

(vi) Gains and losses on subsequent measurement

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

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss

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

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

(vii) Derecognition

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

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

3 Significant accounting policies, continued

(d) Financial instruments, continued

(vii) Derecognition, continued

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

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

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

The Bank writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

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

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

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

(ix) Derivative financial instruments

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

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

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

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

(x) Offsetting

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

(e) Property and equipment

(i) Owned assets

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

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

3 Significant accounting policies, continued

(e) Property and equipment, continued

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

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

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

(i) Financial assets carried at amortised cost

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

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

3 Significant accounting policies, continued

(g) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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 Bank uses its experience and judgment to estimate the amount of any impairment loss.

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

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

(ii) Financial assets carried at cost

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

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

(iii) Available-for-sale financial assets

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

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

(iv) Non financial assets

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.

3 Significant accounting policies, continued

(g) Impairment, continued

(iv) Non financial assets, continued

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

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

(i) Credit related commitments

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

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

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

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

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

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

3 Significant accounting policies, continued

(j) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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.

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 Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

3 Significant accounting policies, continued

(l) Income and expense recognition, continued

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

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

(m) Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses; 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.

(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 unconsolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective.

The Bank has not yet analysed the likely impact of these new standards on its unconsolidated 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 Bank recognises that the new standard introduces significant changes to the accounting for financial instruments and is likely to have significant changes on the Bank's financial statements. The Bank has not assessed the impact of these changes. The Bank 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 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 Bank has not analysed the impact of these changes yet. The Bank 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.

3 Significant accounting policies, continued

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

- IFRS 15 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 Bank 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	88,396,802	77,175,483
Held-to-maturity investments	1,089,082	1,005,143
Deposits and balances with banks	295,220	299,193
Available-for-sale financial assets	195,420	415,247
Cash and cash equivalents	83,006	46,016
Amounts receivable under reverse repurchase agreements	7,797	12,090
	90,067,327	**78,953,172**
Interest expense		
Current accounts and deposits from customers	(30,899,941)	(27,872,844)
Debt securities issued	(10,695,416)	(3,814,904)
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	(261,749)	(895,233)
	(48,269,191)	**(39,734,225)**
	41,798,136	**39,218,947**

Included within various line items under interest income for the year ended 31 December 2015 is a total of KZT 7,344,986 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	1,190,282	1,320,482
Cash withdrawal	962,795	1,110,279
Payment card maintenance fees	769,730	727,416
Guarantee and letter of credit issuance	517,839	547,731
Cash delivery	57,151	55,093
Custodian services	40,210	23,561
Other	316,934	375,480
	9,654,614	**11,382,842**

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

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

	2015 KZT'000	2014 KZT'000
Net unrealised gain on currency SWAPs	136,650,539	533,323
Net realised loss on financial instruments at fair value through profit or loss	(4,320,314)	(2,476)
Interest expense on currency SWAPs with NBRK	(5,060,859)	(1,138,869)
	127,269,366	**(608,022)**

7 Net foreign exchange (loss)/gain

	2015 KZT'000	2014 KZT'000
Dealing, net	4,053,282	3,477,365
Translation differences, net	(133,311,573)	(368,053)
	(129,258,291)	**3,109,312**

8 Impairment losses

	2015 KZT'000	2014 KZT'000
Loans to customers (Note 16)	18,956,270	9,763,250
Other assets (Note 20)	497,227	260,287
Contingent liabilities	(30,911)	5,437
	19,422,586	**10,028,974**

9 Personnel expenses

	2015 KZT'000	2014 KZT'000
Wages, salaries, bonuses and related taxes	14,541,572	15,214,463
Other employee costs	761,421	711,993
	15,302,993	**15,926,456**

10 Other general administrative expenses

	2015 KZT'000	2014 KZT'000
Depreciation and amortisation	4,304,442	3,276,782
Communications and information services	1,904,681	1,756,842
Operating lease expense	1,829,007	1,600,695
Advertising and marketing	1,095,562	1,253,732
Taxes other than on income	1,087,185	1,123,142
Security	920,310	828,925
Repairs and maintenance	485,046	345,714
Services of state center for pension payments	270,438	308,896
Professional services	258,069	371,894
Cash delivery services	228,041	199,824
Travel expenses	210,789	338,139
Stationery and office supplies	108,086	40,758
Insurance	106,710	152,359
Trainings	86,664	45,415
Transportation	53,561	68,739
Loan servicing	6,928	28,445
Representation expenses	4,294	11,501
Other	1,116,158	1,332,252
	14,075,971	**13,084,054**

11 Income tax expense

	2015 KZT'000	2014 KZT'000
Current tax expense		
Current year tax expense	758,547	2,920,611
Decrease in tax expense due to changes in the Tax Code	-	(1,236,117)
Income tax overprovided in prior years	(97,258)	(106,358)
	661,289	**1,578,136**
Deferred tax expense		
Reversal of deferred tax assets due to changes in the Tax Code	-	1,236,117
Origination and reversal of temporary differences	232,168	302,697
Total income tax expense	**893,457**	**3,116,950**

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

11 Income tax expense, continued

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

	2015 KZT'000	%	2014 KZT'000	%
Profit before income tax	**4,530,960**		**14,135,348**	**100.00**
Income tax at the applicable tax rate	906,192	20.00	2,827,070	20.00
Tax-exempt income on securities	(256,900)	(5.67)	(284,078)	(2.01)
Overprovided in prior years	(97,258)	(2.15)	(106,358)	(0.75)
Non-deductible expenses	341,423	7.54	680,316	4.81
	893,457	**19.72**	**3,116,950**	**22.05**

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 years ended 31 December 2015 and 2014 are as follows:

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

2014 KZT'000	**Balance 1 January 2014**	**Recognised in profit or loss**	**Balance 31 December 2014**
Loans to customers	(1,087,162)	35,955	(1,051,207)
Property and equipment	(831,919)	(142,187)	(974,106)
Other assets	122,890	(3,196)	119,694
Financial instruments at fair value through profit or loss	456	(106,456)	(106,000)
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	287,681	(67,974)	219,707
	(253,098)	**(1,538,814)**	**(1,791,912)**

12 Cash and cash equivalents

	2015 KZT'000	2014 KZT'000
Cash on hand	**26,606,752**	**34,852,740**
Nostro accounts with the NBRK	**26,332,242**	**63,791,316**
Nostro accounts with other banks		
- rated from AA- to AA+	5,587,252	939,423
- rated from A- to A+	6,501,455	8,228,913
- rated from BBB- to BBB+	2,386,399	1,334,527
- rated from BB- to BB+	1,204,134	438,773
- rated from B- to B+	559	25,088
- not rated	4,381,523	205,691
Total nostro accounts with other banks	**20,061,322**	**11,172,415**
Term deposits with other banks		
- rated B-	680,776	-
Total term deposits with other banks	**680,776**	**-**
Total cash and cash equivalents	**73,681,092**	**109,816,471**

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 Bank has 1 bank (31 December 2014: 1 bank), whose balance exceeds 10% of equity. The gross value of this balance 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 bank's liabilities. Bank is 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).

13 Financial instruments at fair value through profit or loss

	2015 KZT'000	2014 KZT'000
Derivative financial instruments		
ASSETS		
Foreign currency contracts	143,133,179	4,025,156
	143,133,179	**4,025,156**
Derivative financial instruments		
LIABILITIES		
Foreign currency contracts	165,039	-
	165,039	**-**

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

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

Foreign currency contracts

The Bank had the following derivative financial instruments as at 31 December 2015 and 2014:

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by Bank	Amounts receivable by Bank	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**

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by Bank	Amounts receivable by Bank	Fair value Asset KZT'000	Fair value Liability 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 Bank should deliver KZT 154,467,500 thousand in 2016-2017 in exchange for USD 850,000 thousand. During 2015 the Bank 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).

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

Approach to derivative transactions

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

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

The Bank'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 Bank. 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 Bank will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of the counterparty's insolvency.

14 Available-for-sale financial assets

	2015 KZT'000	2014 KZT'000
Held by the Bank		
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	-
Rated from BB- to BB+	1,064,284	559,200
Equity investments		
Corporate shares	17,355	14,387
	4,726,003	**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
	5,966,872	**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 17,355 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
Term deposits		
- conditional deposit with 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	3,490	3,491
	6,978,553	**13,429,798**

15 Deposits and balances with banks, continued

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

Concentration of deposits and balances with banks

As at 31 December 2015 no banks (31 December 2014: 1 bank with the balance KZT 7,421,953 thousand) have balances that exceed 10% of equity.

16 Loans to customers

	2015 KZT'000	2014 KZT'000
Loans to corporate customers		
Loans to large corporates	352,587,129	268,007,779
Loans to small and medium size companies ("SME")	37,916,321	31,006,297
Total loans to corporate customers	**390,503,450**	**299,014,076**
Loans to retail customers		
Car loans	156,033,178	144,162,438
Uncollateralised consumer loans	124,623,252	139,935,365
Mortgage loans	18,850,109	16,174,953
Small business loans	9,679,939	15,058,722
Loans collateralised by cash	855,398	36,138
Total loans to retail customers	**310,041,876**	**315,367,616**
Gross loans to customers	**700,545,326**	**614,381,692**
Impairment allowance	(40,276,510)	(32,088,784)
Net loans to customers	**660,268,816**	**582,292,908**

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

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

16 Loans to customers, continued

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	13,837,554	21,710,466	35,548,020
Net charge	1,139,195	8,624,055	9,763,250
Write-offs	(7,763,395)	(6,218,708)	(13,982,103)
Effect of foreign currency translation	535,399	224,218	759,617
Balance at the end of the year	**7,748,753**	**24,340,031**	**32,088,784**

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

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

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	268,007,779	(5,747,579)	262,260,200
Loans to small and medium size companies	31,006,297	(2,001,174)	29,005,123
Loans to retail customers			
Car loans	144,162,438	(1,404,052)	142,758,386
Uncollateralised consumer loans	139,935,365	(15,936,493)	123,998,872
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	36,138	-	36,138
Balance at the end of the year	**614,381,692**	**(32,088,784)**	**582,292,908**

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:		
Standard not overdue loans	310,284,837	236,703,652
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	316,173,570	255,365,194
Impaired:		
- not overdue	27,706,297	8,606,064
- overdue less than 90 days	159,571	543,504
- overdue more than 90 days and less than 360 days	6,654,471	95,178
- overdue more than 360 days	1,893,220	3,397,839
Total impaired loans	36,413,559	12,642,585
Total loans to large corporates	**352,587,129**	**268,007,779**
Impairment allowance on loans to large corporate	(9,044,184)	(5,747,579)
Net loans to large corporate	**343,542,945**	**262,260,200**
Loans to small and medium size companies		
Unimpaired:		
Standard not overdue loans	24,702,892	22,514,970
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	1,641,122	727,388
Total unimpaired loans	27,966,634	24,513,253
Impaired:		
- not overdue	163,274	3,076,738
- overdue more than 90 days and less than 360 days	4,830,698	34,245
- overdue more than 360 days	4,955,715	3,382,061
Total impaired loans	9,949,687	6,493,044
Total loans to small and medium size companies	**37,916,321**	**31,006,297**
Impairment allowance on loans to small and medium size companies	(1,790,466)	(2,001,174)
Net loans to small and medium size companies	**36,125,855**	**29,005,123**
Total loans to corporate customers	**390,503,450**	**299,014,076**
Total impairment allowance on loans to corporate customers	(10,834,650)	(7,748,753)
Total net loans to corporate customers	**379,668,800**	**291,265,323**

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	131,647,542	132,459,740
- overdue less than 30 days	6,729,510	3,913,919
- overdue 30-89 days	3,412,328	2,273,505
- overdue 90-179 days	2,906,980	1,730,633
- overdue 180-360 days	5,049,849	1,892,164
- overdue more than 360 days	6,286,969	1,892,477
Total car loans	**156,033,178**	**144,162,438**
Impairment allowance on car loans	(4,680,820)	(1,404,052)
Net car loans	**151,352,358**	**142,758,386**
Uncollateralised consumer loans		
- not overdue	81,140,466	103,554,454
- overdue less than 30 days	6,083,294	5,720,934
- overdue 30-89 days	2,980,002	3,692,664
- overdue 90-179 days	4,257,483	3,664,340
- overdue 180-360 days	7,551,005	7,324,514
- overdue more than 360 days	22,611,002	15,978,459
Total uncollateralised consumer loans	**124,623,252**	**139,935,365**
Impairment allowance on uncollateralised consumer loans	(20,100,522)	(15,936,493)
Net uncollateralised consumer loans	**104,522,730**	**123,998,872**
Mortgage loans		
- not overdue	10,016,274	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	557,801	956,468
- overdue 180-360 days	500,464	692,580
- overdue more than 360 days	6,101,439	4,137,147
Total mortgage loans	**18,850,109**	**16,174,953**
Impairment allowance on mortgage loans	(2,483,178)	(2,072,561)
Net mortgage loans	**16,366,931**	**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	36,138
Total loans collateralised by cash	**855,398**	**36,138**
Impairment allowance on loans collateralised by cash	(2,556)	-
Net loans collateralised by cash	**852,842**	**36,138**
Total loans to retail customers	**310,041,876**	**315,367,616**
Total impairment allowance on loans to retail customers	(29,441,860)	(24,340,031)
Total net loans to retail customers	**280,600,016**	**291,027,585**
Total loans to customers	**700,545,326**	**614,381,692**
Total impairment allowance on loans to customers	(40,276,510)	(32,088,784)
Total net loans to customers	**660,268,816**	**582,292,908**

16 Loans to customers, continued

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

(i) Loans to corporate customers

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

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

- historical annual loss rates of 0.66-1.04% 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 3,796,688 thousand lower/higher (31 December 2014: KZT 2,912,653 thousand lower/higher).

(ii) Loans to retail customers

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

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 2-6 years
- recovery rates for uncollateralised loans are estimated based on historical cash recovery rates for the past 2-6 years, adjusted for more recent recovery experience based on 'payment request orders' ("PTP"), which are sent to other banks in Kazakhstan to request payments in case of the existence of current accounts or deposits of the Bank's borrowers in those banks. The PTP program was launched in May 2013 and collections continued to grow through 2014. Management believes that the Bank will further be able to maintain collections from PTP based on the 2014 pattern. If the Bank did not take into account the effect of the PTP program, 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.

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 8,418,000 thousand lower/higher (31 December 2014: KZT 8,730,828 thousand lower/higher).

16 Loans to customers, continued

(c) Analysis of collateral

(i) Loans to corporate customers

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

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

31 December 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	82,641,828	81,304,276	1,337,552	-
Future contract revenues	41,989,364	-	-	41,989,364
Grain	36,409,524	36,409,524	-	-
Motor vehicles	21,335,657	21,331,605	4,052	-
Corporate guarantees (unrated) and guarantees of individuals	18,675,745	-	-	18,675,745
Cash and deposits	10,625,774	10,625,774	-	-
Equipment	10,444,853	10,444,853	-	-
Subsoil use	5,981,535	5,981,535	-	-
Construction in progress	2,744,142	2,744,142	-	-
Goods in turnover	662,930	662,930	-	-
Other	252,815	-	-	252,815
No collateral or other credit enhancement	7,095,652	-	-	7,095,652
Total unimpaired loans	**340,651,144**	**169,504,639**	**1,341,604**	**169,804,901**
Impaired loans				
Real estate	11,721,012	11,721,012	-	-
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	-	-
Motor vehicles	280,835	280,835	-	-
Equipment	912,784	912,784	-	-
Cash and deposits	15,627	15,627	-	-
Corporate guarantees (unrated) and guarantees of individuals	1,077,492	-	-	1,077,492
No collateral or other credit enhancement	5,059,547	-	-	5,059,547
Total impaired loans	**39,017,656**	**20,087,804**	**-**	**18,929,852**
Total loans to corporate customers	**379,668,800**	**189,592,443**	**1,341,604**	**188,734,753**

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	67,738,247	57,772,089	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	2,571,342	-	-	2,571,342
Cash and deposits	4,061,675	4,061,675	-	-
Goods in turnover	1,392,070	914,946	477,124	-
Other	4,717,218	4,717,218	-	-
No collateral or other credit enhancement	25,170,872	-	-	25,170,872
Total unimpaired loans	**277,018,402**	**116,775,402**	**27,765,948**	**132,477,052**
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	**291,265,323**	**122,455,604**	**33,023,432**	**135,786,287**

The tables above exclude overcollateralisation.

The Bank 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 Bank 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 4,459,190 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 12,781,763 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 Bank updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Bank obtains specific individual valuation of collateral once a half-year in case there are indications of impairment.

For mortgage loans with a net carrying amount of KZT 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 9,463,787 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

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

16 Loans to customers, continued

(c) Analysis of collateral, continued

(ii) Loans to retail customers, continued

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.

(d) Industry and geographical analysis of the loan portfolio

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

	2015 KZT'000	2014 KZT'000
Loans to corporate customers		
Wholesale trade	157,805,616	98,778,669
Construction	47,340,468	44,495,229
Agriculture, forestry and timber	44,389,509	33,376,046
Mining/metallurgy	38,798,655	15,438,293
Transport	32,351,484	36,380,918
Manufacturing	21,801,551	19,173,584
Retail trade	13,580,047	11,867,613
Services	10,522,477	17,197,487
Foods production	6,922,982	4,604,354
Lease, rental and leasing	4,988,306	5,427,276
Research and activities	4,789,800	2,638,171
Financial intermediary	1,180,924	1,710,219
Medical and social care	1,084,209	1,406,947
Entertainment	1,056,603	598,731
Energy production and supply	305,427	875,747
Publishing	295,029	301,704
Real estate	253,052	164,109
Other	2,147,893	4,578,979
Loans to retail customers		
Car loans	156,039,965	144,162,438
Uncollateralised consumer loans	124,628,730	139,935,365
Mortgage loans	19,726,800	16,174,953
Small business loans	9,680,364	15,058,722
Loans collateralised by cash	855,435	36,138
	700,545,326	**614,381,692**
Impairment allowance	(40,276,510)	(32,088,784)
	660,268,816	**582,292,908**

16 Loans to customers, continued

(e) Significant credit exposures

As at 31 December 2015 the Bank 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 31 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

(g) Transfers of financial assets

During 2015, the Bank 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: KZT 23,125,868 thousand) under cession agreements. The net gain recognised in the unconsolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 382,740 thousand (2014: KZT 757,981 thousand).

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

As at 31 December 2015 and 2014 the Bank's continuing involvement with such transferred portfolio is recorded in the unconsolidated statement of financial position in other assets (Note 20) of KZT 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 27) 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 Bank has a right to receive 1.7% p.a. of the mortgage loan portfolio sold on a monthly basis.

17 Held-to-maturity investments

	2015 KZT'000	2014 KZT'000
Held by the Bank		
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
Corporate bonds rated from BB- to BB+	5,075,031	2,736,497
	21,491,332	**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**
	23,196,649	**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 Investment in subsidiary

As at 31 December 2015 the Bank has one subsidiary, which is accounted for at cost.

Name	Country of incorporation	Activities	Proportion of ownership interest, % 31 December 2015	Carrying amount KZT'000 31 December 2015	Proportion of ownership interest, % 31 December 2014	Carrying amount KZT'000 31 December 2014
Eurasian Bank PJSC, Moscow	Russian Federation	Banking	99.99	7,097,853	99.99	5,607,853
				7,097,853		**5,607,853**

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

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

Acquisition and subsequent merging of subsidiary, BankPozitiv Kazakhstan JSC

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. Based on the decision of the sole shareholder to merge the subsidiary to the Bank, the Bank recognised net assets receivable from merging subsidiary in the unconsolidated financial statements as at 31 December 2015.

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

19 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	12,729,185	823,500	804,154	483,178	892,661	1,075,716	6,294,645	34,214,327
Additions	-	1,756,763	68,708	42,486	231,503	31,808	-	4,520,346	6,651,614
Transfers	422,895	-	-	-	(422,895)	-	-	-	-
Disposals	(56)	(381,684)	(109,599)	(17,066)	(23,642)	(3,732)	-	(585,194)	(1,120,973)
Balance at 31 December 2015	**11,534,127**	**14,104,264**	**782,609**	**829,574**	**268,144**	**920,737**	**1,075,716**	**10,229,797**	**39,744,968**
Depreciation and amortisation									
Balance at 1 January 2015	(1,444,854)	(5,832,606)	(413,653)	(273,159)	-	(315,784)	(351,985)	(3,023,479)	(11,655,520)
Depreciation for the year	(267,281)	(2,249,131)	(85,472)	(82,445)	-	(138,072)	(103,411)	(1,378,630)	(4,304,442)
Disposals	-	355,076	104,599	15,081	-	3,732	-	558,931	1,037,419
Balance at 31 December 2015	**(1,712,135)**	**(7,726,661)**	**(394,526)**	**(340,523)**	**-**	**(450,124)**	**(455,396)**	**(3,843,178)**	**(14,922,543)**
Carrying amount									
At 31 December 2015	**9,821,992**	**6,377,603**	**388,083**	**489,051**	**268,144**	**470,613**	**620,320**	**6,386,619**	**24,822,425**

19 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	10,685,063	677,997	719,842	83,016	547,731	1,075,716	4,210,249	28,488,391
Additions	796,166	2,681,834	152,415	103,110	400,831	401,683	-	2,141,423	6,677,462
Disposals	(173,655)	(637,712)	(6,912)	(18,798)	(669)	(56,753)	-	(57,027)	(951,526)
Balance at 31 December 2014	**11,111,288**	**12,729,185**	**823,500**	**804,154**	**483,178**	**892,661**	**1,075,716**	**6,294,645**	**34,214,327**
Depreciation and amortisation									
Balance at 1 January 2014	(1,190,871)	(4,448,117)	(344,142)	(208,185)	-	(282,719)	(248,574)	(2,300,657)	(9,023,265)
Depreciation and amortisation for the year	(254,218)	(1,935,853)	(76,423)	(78,672)	-	(89,818)	(103,411)	(738,387)	(3,276,782)
Disposals	235	551,364	6,912	13,698	-	56,753	-	15,565	644,527
Balance at 31 December 2014	**(1,444,854)**	**(5,832,606)**	**(413,653)**	**(273,159)**	**-**	**(315,784)**	**(351,985)**	**(3,023,479)**	**(11,655,520)**
Carrying amount									
At 31 December 2014	**9,666,434**	**6,896,579**	**409,847**	**530,995**	**483,178**	**576,877**	**723,731**	**3,271,166**	**22,558,807**

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

20 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	1,208,098	1,312,642
Impairment allowance	(657,908)	(850,977)
Total other financial assets	**10,466,606**	**20,780,471**
Advances for capital expenditures	767,716	2,089,642
Prepayments	560,663	416,026
Materials and supplies	400,085	179,939
Taxes prepaid other than on income tax	183,890	604,546
Total other non-financial assets	**1,912,354**	**3,290,153**
Total other assets	**12,378,960**	**24,070,624**

Asset from continuing involvement in transferred assets in the amount of 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	497,227	260,287
Write-offs	(773,296)	(7,093)
Effect of foreign currency translation	83,000	49,354
Balance at the end of the year	**657,908**	**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).

21 Deposits and balances from banks

	2015 KZT'000	2014 KZT'000
Term deposits	4,953,729	3,108,267
Vostro accounts	1,878,724	209,045
	6,832,453	**3,317,312**

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

22 Amounts payable under repurchase agreements

Securities pledged

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

23 Current accounts and deposits from customers

	2015 KZT'000	2014 KZT'000
Current accounts and demand deposits		
- Retail	30,901,265	13,794,801
- Corporate	68,924,513	59,365,784
Term deposits		
- Retail	243,852,808	154,715,096
- Corporate	295,091,549	315,681,152
	638,770,135	**543,556,833**

As at 31 December 2015, the Bank maintains customer deposit balances of KZT 14,854,563 thousand (31 December 2014: KZT 6,224,565 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Bank.

As at 31 December 2015, the Bank 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).

24 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**

25 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 2014 subordinated debt securities issued comprise unsecured obligations of the Bank. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Bank.

A summary of bond issues at 31 December 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.

26 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

26 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.

27 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	54,675	10,165
Payables to obligatory deposit guarantee fund	-	184,849
Other financial liabilities	1,459,156	1,129,195
Total other financial liabilities	**11,836,279**	**12,027,913**
Amounts payable to employees	537,846	262,968
Other taxes payable	718,052	282,285
Vacation reserve	425,447	614,239
Deferred income	329,921	441,238
Other non-financial liabilities	166	9
Total other non-financial liabilities	**2,011,432**	**1,600,739**
Total other liabilities	**13,847,711**	**13,628,652**

27 Other liabilities, continued

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

28 Share capital

(a) Issued capital and share premium

The authorised share capital comprises 33,000,000 ordinary shares (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 Bank.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan the Bank’s distributable reserves are limited to the balance of retained earnings as recorded in the Bank’s statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank’s insolvency. In accordance with the legislation of the Republic of Kazakhstan as at the reporting date, reserves available for distribution amounted to KZT 3,858,186 thousand (2014: KZT 11,018,398 thousand).

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) 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.

28 Share capital, continued

(c) 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 shall 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 and 2014 the non-distributable dynamic reserve of the Bank is KZT 6,733,233 thousand.

29 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 year. The Bank has no dilutive potential ordinary shares.

	2015 KZT'000	2014 KZT'000
Net profit	3,637,503	11,018,398
Weighted average number of ordinary shares	16,299,691	16,211,133
Basic and diluted earnings per ordinary share, in KZT	**223.16**	**679.68**

30 Analysis by segment

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

- 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 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).

30 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
Gross presentation of foreign currency swaps	(62,097,210)	(25,883,725)
Other adjustments	(3,524,891)	(5,039,371)
Total assets	**971,538,802**	**805,044,903**

	2015 KZT'000	**2014 KZT'000**
Reportable segment total liabilities	959,525,963	767,705,249
Gross presentation of foreign currency swaps	(62,097,210)	(25,883,725)
Other adjustments	(3,680,888)	(5,039,370)
Total liabilities	**893,747,865**	**736,782,154**

30 Analysis by segment, continued

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

KZT'000	Corporate banking	Small and medium size companies banking	Retail banking	Treasury	Assets and liabilities management	Unallocated assets and liabilities	Total
Interest income	26,422,923	5,054,840	47,036,946	62,036	1,607,211	1,277	80,185,233
Fee and commission income	1,785,674	1,509,763	16,853,491	-	4,047,276	135,676	24,331,880
Net gain on securities, dealing and translation differences	1,166,743	610,101	1,115,620	193,911	(3,734)	-	3,082,641
Other income	393,725	96,247	3,379,393	-	-	-	3,869,365
Funds transfer pricing	24,740,943	4,260,172	13,317,231	-	31,282,549	220,424	73,821,319
Revenue	**54,510,008**	**11,531,123**	**81,702,681**	**255,947**	**36,933,302**	**357,377**	**185,290,438**
Interest expense	(18,918,815)	(2,723,212)	(10,212,900)	-	(20,633,128)	-	(52,488,055)
Fee and commission expense	(202,487)	(44,710)	(5,340,535)	(5,909)	(8,632)	(10,428)	(5,612,701)
Impairment losses	(3,558,257)	(330,362)	(13,096,830)	-	-	-	(16,985,449)
Funds transfer pricing	(19,062,640)	(3,284,571)	(35,757,441)	(211,970)	(15,379,467)	(125,230)	(73,821,319)
Operational costs (direct)	(2,275,591)	(1,572,166)	(11,790,451)	(152,076)	(1,567,973)	(89,249)	(17,447,506)
Operational costs (indirect)	(1,623,849)	(1,311,100)	(11,634,841)	-	(172,911)	(44,200)	(14,786,901)
Income tax expense	(275,370)	(86,969)	(285,762)	(1,021)	(86,579)	(3,827)	(739,528)
Segment result	**8,592,999**	**2,178,033**	**(6,416,079)**	**(115,029)**	**(915,388)**	**84,443**	**3,408,979**
Other segment items							
Additions of property and equipment	-	-	211,159	-	-	6,863,350	**7,074,509**
Depreciation and amortisation	(368,426)	(355,150)	(3,051,156)	(57,232)	(223,235)	(249,243)	**(4,304,442)**

30 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	-	-	6,492,980	**6,677,462**
Depreciation and amortisation	(350,390)	(240,614)	(2,332,972)	(45,538)	(214,366)	(92,902)	**(3,276,782)**

30 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
Funds transfer pricing	(73,821,319)	(58,245,977)
Other adjustments	(9,250,235)	(5,923,284)
Total revenue	**102,218,884**	**93,445,326**

	2015 KZT'000	2014 KZT'000
Reportable segment profit	3,408,979	11,015,075
Other adjustments	228,524	3,323
Total profit	**3,637,503**	**11,018,398**

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.

31 Risk management

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

(a) Risk management policies and procedures

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

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing 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.

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

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

Both external and internal risk factors are identified and managed throughout the Bank. Particular attention is given to identifying the full range of risk factors and 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 Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board.

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its 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.

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

31 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	5,522,159	-	-	-	-	104,294,312	109,816,471
Financial instruments at fair value through profit or loss	-	-	-	4,025,156	-	-	4,025,156
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	5,429,126	13,429,798
Loans to customers	75,960,412	67,908,668	83,170,191	276,578,758	78,674,879	-	582,292,908
Held-to-maturity investments	17,565,734	24,089	4,016,059	10,920,025	2,658,350	-	35,184,257
	103,859,973	**67,953,692**	**92,343,565**	**294,512,021**	**82,255,350**	**109,737,825**	**750,662,426**
LIABILITIES							
Deposits and balances from banks	2,155,779	-	916,537	-	-	244,996	3,317,312
Amounts payable under repurchase agreements	7,353,570	-	-	-	-	-	7,353,570
Current accounts and deposits from customers	122,555,389	74,084,766	167,281,410	75,086,601	60,229,514	44,319,153	543,556,833
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
	136,341,006	**76,729,260**	**216,918,164**	**174,480,001**	**72,329,010**	**44,564,149**	**721,361,590**
	(32,481,033)	**(8,775,568)**	**(124,574,599)**	**120,032,020**	**9,926,340**	**65,173,676**	**29,300,836**

31 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	-
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	14.14	19.81	9.32	10.99
Held-to-maturity investments	6.18	5.35	-	4.38	6.42	-
Interest bearing liabilities						
Deposits and balances from banks						
- Term deposits	12.00	2.84	16.50	9.00	3.50	-
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	0.97
- Retail customers	8.41	3.41	2.55	7.68	4.13	2.29
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	-

31 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	357,341	357,341	520,394	520,394
100 bp parallel rise	(357,341)	(357,341)	(520,394)	(520,394)

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	-	196,243	-	99,059
100 bp parallel rise	-	196,243	-	(99,059)

31 Risk management, continued

(b) Market risk, continued

(ii) Currency risk

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

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

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

	USD KZT'000	**EUR KZT'000**	**RUB KZT'000**	**Other currencies KZT'000**	**Total KZT'000**
ASSETS					
Cash and cash equivalents	51,406,561	5,132,714	1,665,131	398,619	58,603,025
Available-for-sale financial assets	2,685,276	-	-	-	2,685,276
Deposits and balances with banks	2,686,878	-	-	-	2,686,878
Loans to customers	195,193,871	9,479,233	1,431,663	-	206,104,767
Held-to-maturity investments	12,220,560	-	-	-	12,220,560
Other financial assets	2,757,822	618,005	657	-	3,376,484
Total assets	**266,950,968**	**15,229,952**	**3,097,451**	**398,619**	**285,676,990**
LIABILITIES					
Deposits and balances from banks	5,276,218	21,648	467,463	32	5,765,361
Current accounts and deposits from customers	450,912,170	12,582,401	5,366,728	270,087	469,131,386
Debt securities issued	155,523,338	-	-	-	155,523,338
Other borrowed funds	3,647,631	-	-	-	3,647,631
Other financial liabilities	1,758,672	46,609	26,148	453	1,831,882
Total liabilities	**617,118,029**	**12,650,658**	**5,860,339**	**270,572**	**635,899,598**
Net position as at 31 December 2015	**(350,167,061)**	**2,579,294**	**(2,762,888)**	**128,047**	**(350,222,608)**
The effect of derivatives	360,258,043	2,541,663	(2,600,220)	-	360,199,486
Net position with the effect of derivatives as at 31 December 2015	**10,090,982**	**5,120,957**	**(5,363,108)**	**128,047**	**9,976,878**

31 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	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS					
Cash and cash equivalents	79,944,145	3,382,239	2,203,758	282,740	85,812,882
Available-for-sale financial assets	905,587	-	-	-	905,587
Deposits and balances with banks	4,128,619	-	-	-	4,128,619
Loans to customers	87,561,642	4,942,942	1,356,314	-	93,860,898
Held-to-maturity investments	2,736,497	-	-	-	2,736,497
Other financial assets	3,865,048	296,381	783	-	4,162,212
Total assets	**179,141,538**	**8,621,562**	**3,560,855**	**282,740**	**191,606,695**
LIABILITIES					
Deposits and balances from banks	1,108,345	10,747	2	18	1,119,112
Current accounts and deposits from customers	283,720,577	8,570,502	3,696,892	251,844	296,239,815
Debt securities issued	73,195,576	-	-	-	73,195,576
Other borrowed funds	1,990,247	-	-	-	1,990,247
Other financial liabilities	879,530	15,536	4,834	233	900,133
Total liabilities	**360,894,275**	**8,596,785**	**3,701,728**	**252,095**	**373,444,883**
Net position as at 31 December 2014	**(181,752,737)**	**24,777**	**(140,873)**	**30,645**	**(181,838,188)**
The effect of derivatives	181,820,000	-	-	-	181,820,000
Net position with the effect of derivatives as at 31 December 2014	**67,263**	**24,777**	**(140,873)**	**30,645**	**(18,188)**

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 Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2015		2014	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
20% appreciation of USD against KZT	1,614,557	1,614,557	10,762	10,762
20% appreciation of EUR against KZT	819,353	819,353	3,964	3,964
20% appreciation of RUB against KZT	(858,097)	(858,097)	(22,540)	(22,540)
20% appreciation of other currencies against KZT	20,488	20,488	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.

31 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 Bank 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 Bank is based on a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential market price movements are determined with reference to market data from at least the most recent 12 months.

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

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

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

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

	31 December 2015 KZT'000	**31 December 2014 KZT'000**
Foreign exchange risk	248,452	161,617

31 Risk management, continued

(c) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures 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 the Board of Directors.

The credit policy establishes:

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

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

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

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

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

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

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

31 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	47,074,340	74,963,731
Financial instruments at fair value through profit or loss	143,133,179	4,025,156
Available-for-sale financial assets	5,949,517	5,899,449
Deposits and balances with banks	6,978,553	13,429,798
Loans to customers	660,268,816	582,292,908
Held-to-maturity investments	23,196,649	35,184,257
Other financial assets	10,466,606	20,780,471
Total maximum exposure	**897,067,660**	**736,575,770**

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 33.

As at 31 December 2015 and 2014 the Bank did not have debtors or groups of connected debtors, where credit risk exposure exceeded 10% maximum credit risk exposure.

Offsetting financial assets and financial liabilities

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

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

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

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

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

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

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

31 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 unconsolidated statement of financial position	Net amount of financial assets/liabilities presented in the unconsolidated statement of financial position	Related amounts not offset in the unconsolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
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	96,292,633	-	96,292,633	-	(13,287,838)	83,004,795
Total financial assets	**99,238,819**	**-**	**99,238,819**	**(2,648,490)**	**(13,287,838)**	**83,302,491**
Amounts payable under repurchase agreements	(2,648,490)	-	(2,648,490)	2,648,490	-	-
Current accounts and deposits from customers	(13,287,838)	-	(13,287,838)	-	13,287,838	-
Total financial liabilities	**(15,936,328)**	**-**	**(15,936,328)**	**2,648,490**	**13,287,838**	**-**

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

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

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

31 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		Gross amount of recognised financial assets/liabilities offset in the unconsolidated statement of financial position	Net amount of financial assets/liabilities presented in the unconsolidated statement of financial position	Related amounts not offset in the unconsolidated statement of financial position		
Types of financial assets/liabilities	**Gross amounts of recognised financial assets/liabilities**			**Financial instruments**	**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	**36,836,909**	**-**	**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 Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

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

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

31 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 Bank 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.

31 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	5,372,024	-	-	1,543,748	68,002	6,983,774	6,832,453
Amounts payable under repurchase agreements	2,684,082	-	-	-	-	2,684,082	2,648,490
Current accounts and deposits from customers	133,918,966	76,341,155	82,468,518	206,403,158	206,168,984	705,300,781	638,770,135
Debt securities issued	63,797	199,196	5,865,772	6,128,765	180,873,952	193,131,482	164,624,569
Subordinated debt securities issued	-	-	766,676	766,676	32,504,621	34,037,973	21,061,452
Other borrowed funds	115,556	2,579,704	1,711,300	5,783,648	44,662,342	54,852,550	43,773,936
Other financial liabilities	8,029,717	10,644	66,792	14,929	3,714,197	11,836,279	11,836,279
Derivative liabilities							
- Inflow	(65,243,449)	-	-	-	-	(65,243,449)	-
- Outflow	65,408,488	-	-	-	-	65,408,488	165,039
Total liabilities	**150,349,181**	**79,130,699**	**90,879,058**	**220,640,924**	**467,992,098**	**1,008,991,960**	**889,712,353**
Credit related commitments	61,977,032	-	-	-	-	61,977,032	61,977,032

31 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	245,775	2,182,500	-	944,282	-	3,372,557	3,317,312
Amounts payable under repurchase agreements	7,408,893	-	-	-	-	7,408,893	7,353,570
Current accounts and deposits from customers	126,438,344	44,249,242	79,794,959	174,899,705	186,562,818	611,945,068	543,556,833
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	7,292,356	67,285	497	14,381	4,653,394	12,027,913	12,027,913
Total liabilities	**142,485,079**	**48,192,576**	**86,408,714**	**212,441,922**	**367,767,839**	**857,296,130**	**733,389,503**
Credit related commitments	47,642,170	-	-	-	-	47,642,170	47,642,170

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

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

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

31 Risk management, continued

(d) Liquidity risk, continued

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

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

31 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the unconsolidated statement of financial position, excluding derivative instruments, as at 31 December 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	109,816,471	-	-	-	-	-	-	109,816,471
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	6,007,384	2,265,426	5,156,528	-	460	-	-	13,429,798
Loans to customers	28,811,294	35,187,897	148,349,449	272,423,573	75,860,787	-	21,659,908	582,292,908
Held-to-maturity investments	5,570,411	11,995,323	4,040,148	10,920,025	2,658,350	-	-	35,184,257
Investment in subsidiary	-	-	-	-	-	5,607,853	-	5,607,853
Current tax asset	2,145,193	-	-	-	-	-	-	2,145,193
Property, equipment and intangible assets	-	-	-	-	-	22,558,807	-	22,558,807
Other assets	4,089,275	9,908,296	4,326,641	7,002	5,535,622	179,939	23,849	24,070,624
Total assets	**156,440,028**	**61,903,184**	**161,894,488**	**286,338,682**	**84,398,622**	**28,360,986**	**21,683,757**	**801,019,747**
Non-derivative liabilities								
Deposits and balances from banks	209,305	2,155,000	916,537	-	36,470	-	-	3,317,312
Amounts payable under repurchase agreements	7,353,570	-	-	-	-	-	-	7,353,570
Current accounts and deposits from customers	124,199,641	40,595,798	242,865,299	75,598,724	60,297,371	-	-	543,556,833
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	-	-	-	-	-	1,791,912	-	1,791,912
Other liabilities	7,657,915	626,846	675,343	15,154	4,653,394	-	-	13,628,652
Total liabilities	**140,715,577**	**44,302,129**	**277,087,092**	**176,948,954**	**95,936,490**	**1,791,912**	**-**	**736,782,154**
Net position	**15,724,451**	**17,601,055**	**(115,192,604)**	**109,389,728**	**(11,537,868)**	**26,569,074**	**21,683,757**	**64,237,593**

31 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 76,917,061 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 Bank's liquidity management objectives.

(e) Operational risk

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

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

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

32 Capital management

NBRK sets and monitors capital requirements for the Bank 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.

32 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 fulfilled transition on 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.

32 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 Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also 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.

[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._

33 Credit related commitments

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

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

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

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

	2015 KZT'000	2014 KZT'000
Contracted amount		
Loan and credit line commitments	31,800,654	23,132,825
Guarantees	28,705,648	21,491,747
Letters of credit	1,470,730	3,017,598
	61,977,032	**47,642,170**

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 Bank has 2 customers whose balances exceeded 10% of total commitments (31 December 2014: 1 customer). The value of these commitments as at 31 December 2015 is KZT 31,280,920 thousand (31 December 2014: KZT 8,752,800 thousand).

34 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	1,176,187	276,106
Between 1 and 5 years	2,008,357	1,324,653
	3,184,544	**1,600,759**

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

During the current year KZT 1,829,007 thousand was recognised as an expense in profit or loss in respect of operating leases (2014: KZT 1,600,695 thousand).

35 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its 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 Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

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

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. 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.

36 Related party transactions

(a) Control relationships

The Bank's parent company is Eurasian Financial Company JSC (the "Parent company"). The Parent company is controlled by the group of individuals, Mr. Mashkevich A.A., Mr. Shodiyev P.K., Mr. Ibragimov A.R., each of whom owns 33.3%. Publicly available financial statements are produced by the Bank'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	393,565	502,692
Other key management personnel	1,613,098	1,635,777
	2,831,513	**3,229,978**

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

36 Related party transactions, continued

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

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, %
Unconsolidated statement of financial position				
ASSETS				
Loans to customers	10,725	15.00	328,483	6.00
LIABILITIES				
Current accounts and deposits from customers	12,261,677	6.41	7,178,721	7.20

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	3	12,203
Interest expense	(341,246)	(658,743)

36 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		Subsidiary of the Bank		Other related parties*		
	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	Total KZT'000
Unconsolidated statement of financial position									
ASSETS									
Cash and cash equivalents									
- In KZT	-	-	-	-	31,221	-	-	-	31,221
- In USD	-	-	-	-	3,836,908	-	-	-	3,836,908
- In other currencies	-	-	-	-	86,846	-	-	-	86,846
Investment in subsidiary									
- In KZT	-	-	-	-	7,097,853	-	-	-	7,097,853
Loans to customers (principal balance)									
- In KZT	-	-	-	-	-	-	12,076,417	9.55	12,076,417
- In USD	-	-	-	-	-	-	99,828,328	6.00	99,828,328
Loans to customers (allowance for impairment)	-	-	-	-	-	-	(685,958)	-	(685,958)
Net assets receivable from merged subsidiary									
- In KZT	-	-	-	-	11,779,202	-	-	-	11,779,202
Other assets									
- In KZT	-	-	20,760	-	-	-	855,163	-	875,923
- In USD	-	-	-	-	-	-	1,650,082	-	1,650,082

36 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2015	Parent company		Other subsidiaries of the Parent company		Subsidiary of the Bank		Other related parties*		
	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	Total KZT'000
LIABILITIES									
Deposits and balances from banks									
- In KZT	-	-	-	-	23,717	-	-	-	23,717
- In USD	-	-	-	-	254	-	-	-	254
- In other currencies	-	-	-	-	467,461	16.27	-	-	467,461
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	-	-	67,098,624	2.04	68,941,056
- In other currencies	-	-	83,740	-	-	-	1,238,861	4.28	1,322,601
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	-	-	-	3,215	-	340,923
Items not recognised in the unconsolidated statement of financial position									
Guarantees received	-	-	-	-	-	-	4,829,314	-	4,829,314
Profit (loss)									
Interest income	-	-	-	-	-	-	3,639,478	-	3,639,478
Interest expense	(7,445)	-	(695,113)	-	(6,488)	-	(2,254,790)	-	(2,963,836)
Fee and commission income	690	-	27,192	-	2	-	422,018	-	449,902
Net foreign exchange (loss)/gain	(50,707)	-	(5,801,034)	-	1,032,545	-	17,701,074	-	12,881,878
Other operating income/(expenses)	-	-	1,002,962	-	-	-	(58,354)	-	944,608
Impairment losses	-	-	-	-	-	-	(451,321)	-	(451,321)
Other general administrative expenses	-	-	(40,008)	-	-	-	(25,869)	-	(65,877)

36 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		Subsidiary of the Bank		Other related parties*		
	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	Total KZT'000
Unconsolidated statement of financial position									
ASSETS									
Cash and cash equivalents									
- In KZT	-	-	-	-	35,988	-	-	-	35,988
- In USD	-	-	-	-	10,442	-	-	-	10,442
- In other currencies	-	-	-	-	141	-	-	-	141
Investments in subsidiary									
- In KZT	-	-	-	-	5,607,853	-	-	-	5,607,853
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

36 Related party transactions, continued

(c) Transactions with other related parties, continued

31 December 2014	Parent company		Other subsidiaries of the Parent company		Subsidiary of the Bank		Other related parties*		
	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	KZT'000	Average effective interest rate, %	Total KZT'000
LIABILITIES									
Deposits and balances from banks									
- In KZT	-	-	-	-	3,676	-	-	-	3,676
- In USD	-	-	-	-	155	-	-	-	155
- In other currencies	-	-	-	-	1	-	-	-	1
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
- In USD	-	-	911,858	8.33	-	-	-	-	911,858
Subordinated debt securities issued									
- In KZT	-	-	39,827	9.23	-	-	-	-	39,827
Other liabilities									
- In KZT	-	-	241,397	-	-	-	4,888	-	246,285
- In USD	-	-	-	-	-	-	13,964	-	13,964
Items not recognised in the unconsolidated 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)	-	(228,801)	-	-	-	(1,996,459)	-	(2,234,010)
Fee and commission income	719	-	41,356	-	29	-	459,008	-	501,112
Other operating (expenses)/income	(246,132)	-	848,846	-	-	-	(134,999)	-	467,715
Insurance expenses	-	-	(1,392,407)	-	-	-	-	-	(1,392,407)
Impairment losses	-	-	-	-	-	-	(52,266)	-	(52,266)
Other general administrative expenses	-	-	-	-	-	-	(34,391)	-	(34,391)

36 Related party transactions, continued

(c) Transactions with other related parties, continued

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

As at 31 December 2015 loans to customers in the amount of KZT 107,098,173 thousand were insured by an insurance company under common control (31 December 2014: KZT 41,753,759 thousand).

37 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	-	-	73,681,092	-	-	73,681,092	73,681,092
Financial instruments at fair value through profit or loss	143,133,179	-	-	-	-	143,133,179	143,133,179
Available-for-sale financial assets	-	-	-	5,966,872	-	5,966,872	5,966,872
Deposits and balances with banks	-	-	6,978,553	-	-	6,978,553	6,978,553
Loans to customers							
Loans to corporate customers	-	-	379,668,800	-	-	379,668,800	368,436,579
Loans to retail customers	-	-	280,600,016	-	-	280,600,016	269,494,317
Held-to-maturity investments							
Government bonds	-	18,121,618	-	-	-	18,121,618	17,539,835
Corporate bonds	-	5,075,031	-	-	-	5,075,031	4,863,435
Other financial assets	-	-	10,466,606	-	-	10,466,606	10,466,606
	143,133,179	**23,196,649**	**751,395,067**	**5,966,872**	**-**	**923,691,767**	**900,560,468**
Financial instruments at fair value through profit or loss	165,039	-	-	-	-	165,039	165,039
Deposits and balances from banks	-	-	-	-	6,832,453	6,832,453	6,832,453
Amounts payable under repurchase agreements	-	-	-	-	2,648,490	2,648,490	2,648,490
Current accounts and deposits from customers	-	-	-	-	638,770,135	638,770,135	657,162,909
Debt securities issued	-	-	-	-	164,624,569	164,624,569	164,008,535
Subordinated debt securities issued	-	-	-	-	21,061,452	21,061,452	16,755,211
Other borrowed funds	-	-	-	-	43,773,936	43,773,936	43,773,936
Other financial liabilities	-	-	-	-	11,836,279	11,836,279	11,836,279
	165,039	**-**	**-**	**-**	**889,547,314**	**889,712,353**	**903,182,852**

37 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	-	-	109,816,471	-	-	109,816,471	109,816,471
Financial instruments at fair value through profit or loss	4,025,156	-	-	-	-	4,025,156	4,025,156
Available-for-sale financial assets	-	-	-	5,913,836	-	5,913,836	5,913,836
Deposits and balances with banks	-	-	13,429,798	-	-	13,429,798	13,429,798
Loans to customers							
Loans to corporate customers	-	-	291,265,323	-	-	291,265,323	283,923,196
Loans to retail customers	-	-	291,027,585	-	-	291,027,585	283,792,284
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
	4,025,156	**35,184,257**	**726,319,648**	**5,913,836**	**-**	**771,442,897**	**756,619,935**
Deposits and balances from banks	-	-	-	-	3,317,312	3,317,312	3,317,312
Amounts payable under repurchase agreements					7,353,570	7,353,570	7,353,570
Current accounts and deposits from customers	-	-	-	-	543,556,833	543,556,833	544,328,858
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	-	-	-	-	12,027,913	12,027,913	12,027,913
	-	**-**	**-**	**-**	**733,389,503**	**733,389,503**	**731,724,179**

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

(a) Accounting classifications and fair values, continued

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

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

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

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

The Bank uses widely recognised valuation models to determine the fair value of common and 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 Bank uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and securities for which there is no active market.

As disclosed in Note 13, the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 17,355 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.

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

(b) Fair value hierarchy

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data
- Level 3: Valuation techniques using 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			
- 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 12). At initial recognition, the Bank estimates the fair values of the swaps transacted with the NBRK using valuation techniques.

37 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 Bank uses valuation techniques that rely on unobservable inputs – e.g. volatilities of certain underlying, expectations of termination periods. When fair value at initial recognition is not evidenced by a quoted price in an active market or based on a valuation technique that uses data only from observable markets, any difference between the fair value at initial recognition and the transaction price is not recognised in profit or loss immediately, but is deferred (see Note 3(d)(v)).

The following table shows a reconciliation for the year ended 31 December 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.

37 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	73,681,092	-	73,681,092	73,681,092
Deposits and balances with banks	6,978,553	-	6,978,553	6,978,553
Loans to customers	599,334,856	38,596,040	637,930,896	660,268,816
Held-to-maturity investments	22,403,270	-	22,403,270	23,196,649
Liabilities				
Deposits and balances from banks	6,832,453	-	6,832,453	6,832,453
Amounts payable under repurchase agreements	2,648,490	-	2,648,490	2,648,490
Current accounts and deposits from customers	657,162,909	-	657,162,909	638,770,135
Debt securities issued	164,008,535	-	164,008,535	164,624,569
Subordinated debt securities issued	16,755,211	-	16,755,211	21,061,452
Other borrowed funds	43,773,936	-	43,773,936	43,773,936

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	109,816,471	-	109,816,471	109,816,471
Deposits and balances with banks	13,429,798	-	13,429,798	13,429,798
Loans to customers	539,882,294	27,833,186	567,715,480	582,292,908
Held-to-maturity investments	34,938,723	-	34,938,723	35,184,257
Liabilities				
Deposits and balances from banks	3,317,312	-	3,317,312	3,317,312
Amounts payable under repurchase agreements	7,353,570	-	7,353,570	7,353,570
Current accounts and deposits from customers	544,328,858	-	544,328,858	543,556,833
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	12,027,913	-	12,027,913	12,027,913