

JOINT STOCK COMPANY KAZKOMMERTSBANK

**Consolidated Financial Statements and
Independent Auditors' Report**
For the Years Ended 31 December 2015, 2014
and 2013

JOINT STOCK COMPANY KAZKOMMERTSBANK

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013	1
INDEPENDENT AUDITORS' REPORT	2-3
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013:	
Consolidated statements of profit or loss	4
Consolidated statements of other comprehensive income	5
Consolidated statements of financial position	6
Consolidated statements of changes in equity	7-9
Consolidated statements of cash flows	10-11
Notes to the consolidated financial statements	12-119

JOINT STOCK COMPANY KAZKOMMERTSBANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Company Kazkommertsbank ("the Bank") and its subsidiaries ("the Group") as at 31 December 2015, 2014 and 2013, and the consolidated results of its operations, cash flows and changes in equity for the years then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the years ended 31 December 2015, 2014 and 2013 were authorized for issue on 28 April 2016 by the Management Board of Joint Stock Company Kazkommertsbank.

On behalf of the Management Board of the Bank:


Batyrbekov A.U.
Acting Chairman of the Board

28 April 2016
Almaty


Shoibekova G.K.
Chief Accountant

28 April 2016
Almaty

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Joint Stock Company Kazkommertsbank:

We have audited the accompanying consolidated financial statements of Joint Stock Company Kazkommertsbank ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at 31 December 2015, 2014 and 2013, and the consolidated statements of profit or loss, the consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Joint Stock Company Kazkommertsbank and its subsidiaries as at 31 December 2015, 2014 and 2013, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.


Emphasis of Matter


As discussed in Notes 2, 3 and 17 to the consolidated financial statements, during 2015, JSC Kazkommertsbank entered into certain transactions with JSC BTA Bank, an entity under common control as at 31 December 2015, which resulted in a significant loan to JSC BTA Bank. The assessment of the carrying value and ultimately the recoverability of this loan involves a number of assumptions on the ability of JSC BTA Bank to generate future cash flows from its underlying assets and the outcome of future events, including legal proceedings, which are currently uncertain. Our opinion is not qualified in respect of this matter.



Roman Sattarov
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate
No.MF-0000149
dated 31 May 2013


Mark Smith
Engagement partner
Chartered Accountant
Institute of Chartered
Accountants of Scotland
License № M21857
Glasgow, Scotland



Deloitte, LLP
State license on auditing in the Republic of Kazakhstan
№ 0000015, type MFC-2, issued by
the Ministry of Finance of the Republic of Kazakhstan
dated 13 September 2006


Nurlan Bekenov
General Director
Deloitte, LLP

28 April 2016
Almaty, Kazakhstan

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	Notes	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
Interest income	5, 33	378,053	313,579	252,092
Interest expense	5, 33	(190,967)	(159,547)	(110,550)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	5	187,086	154,032	141,542
Provision for impairment losses on interest bearing assets	6, 33	(176,841)	(74,039)	(71,555)
NET INTEREST INCOME		10,245	79,993	69,987
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	7	56,998	(30,170)	4,743
Net (loss)/gain on foreign exchange and precious metals operations	8	(14,153)	8,758	(559)
Fee and commission income	9	47,560	41,316	31,535
Fee and commission expense	9	(19,137)	(16,649)	(9,187)
Net gain on investments available-for-sale		104	1,136	86
Dividend income		1,297	1,438	324
Other income	10	17,001	8,115	4,466
Revaluation of assets classified as held for sale		(5,335)	(252)	726
NET NON-INTEREST INCOME		84,335	13,692	32,134
OPERATING EXPENSES	11, 33	(78,546)	(64,891)	(32,739)
PROFIT BEFORE OTHER OPERATING PROVISIONS		16,034	28,794	69,382
Provision for impairment losses on other transactions (Provision)/recovery of provision for guarantees and other contingencies	6, 33 6, 33	(11,785) (5,141)	(3,405) 4,989	(5,748) (1,415)
Share of profits of associates		-	300	-
(LOSS)/PROFIT BEFORE INCOME TAX		(892)	30,678	62,219
Income tax expense	12	(17,543)	(6,937)	(9,684)
NET (LOSS)/PROFIT		(18,435)	23,741	52,535
Attributable to:				
Ordinary shareholders of the Parent		(15,352)	19,114	45,640
Preference shareholders of the Parent		-	2,291	6,482
Non-controlling interest		(3,083)	2,336	413
(LOSS)/EARNINGS PER SHARE		(18,435)	23,741	52,535
<i>Basic and diluted (KZT)</i>	13	(19.79)	25.89	58.68

On behalf of the Management Board of the Bank:

Batyrbekov A.U.
Acting Chairman of the Board

28 April 2016
Almaty



Shoinbekova G.K.
Chief Accountant

28 April 2016
Almaty

The notes on pages 12-119 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
NET (LOSS)/PROFIT	<u>(18,435)</u>	<u>23,741</u>	<u>52,535</u>
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Net gain resulting on revaluation of property	1,218	3,296	162
Income tax	74	349	(6)
Share of other comprehensive income of associates	-	(2)	-
	<u>1,292</u>	<u>3,643</u>	<u>156</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(301)	(1,063)	(953)
Net (loss)/gain resulting on revaluation of available-for-sale investments during the year	(1,097)	(996)	24
Reclassification adjustment relating to available-for-sale investments disposed of during the year	(104)	(1,136)	(86)
Net (loss)/gain on cash flows hedges	(371)	(246)	388
Income tax	206	203	(71)
	<u>(1,667)</u>	<u>(3,238)</u>	<u>(698)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME AFTER INCOME TAX	<u>(375)</u>	<u>405</u>	<u>(542)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME	<u>(18,810)</u>	<u>24,146</u>	<u>51,993</u>
Attributable to:			
Ordinary shareholders of the Parent	(16,416)	17,909	45,194
Preference shareholders of the Parent	-	1,213	6,411
Non-controlling interest	(2,394)	5,024	388
TOTAL COMPREHENSIVE (LOSS)/ INCOME	<u>(18,810)</u>	<u>24,146</u>	<u>51,993</u>

On behalf of the Management Board of the Bank:

Batyrbekov A.U.
Acting Chairman of the Board

28 April 2016
Almaty



Shoinbekova G.K.
Chief Accountant

28 April 2016
Almaty

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JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015, 2014 AND 2013

	Notes	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
ASSETS:				
Cash and balances with national (central) banks	14	123,908	192,362	191,687
Precious metals		3,908	2,826	2,491
Financial assets at fair value through profit or loss	15, 33	365,277	175,927	121,855
Loans and advances to banks and other financial institutions	16, 33	296,677	208,550	139,743
Loans to customers	17, 33	3,829,736	2,122,148	1,900,993
Bonds of JSC National Welfare Fund Samruk-Kazyna	24	-	659,116	-
Investments available-for-sale	18, 33	34,544	94,606	21,249
Investments held to maturity	19	209,936	18,440	6,503
Investments in associates		-	8,840	-
Goodwill		-	171	-
Investment property	20	8,709	60,953	30,840
Property, equipment and intangible assets	22	39,258	48,234	32,688
Deferred income tax assets	12	27,164	6,022	1,730
Other assets	23	102,153	214,658	37,970
Assets classified as held for sale	21	53,065	434,224	98,543
TOTAL ASSETS		5,094,335	4,247,077	2,586,292
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and advances from banks and other financial institutions	24, 33	123,063	682,856	97,955
Customer accounts	25, 33	3,324,734	2,264,140	1,682,035
Financial liabilities at fair value through profit or loss	15	75,409	20,791	2,296
Debt securities issued	26	695,483	416,920	253,311
Other borrowed funds	27	101,595	216,693	15,437
Provisions	6	57,329	48,672	19,811
Deferred income tax liabilities	12	28,360	-	-
Dividends payable		1	31	6
Other liabilities	28	33,858	48,049	18,074
Subordinated debt	29	281,235	122,856	125,160
Liabilities directly associated with assets classified as held for sale	21	-	10,028	-
Total liabilities		4,721,067	3,831,036	2,214,085
EQUITY:				
Equity attributable to equity holders of the Parent:				
Share capital	30	234,520	160,945	212,612
Additional paid-in-capital		(6,405)	(6,405)	(6,405)
Property and equipment revaluation reserve		5,201	7,166	5,779
Other reserves		139,943	203,997	158,518
Total equity attributable to equity holders of the Parent		373,259	365,703	370,504
Non-controlling interest		9	50,338	1,703
Total equity		373,268	416,041	372,207
TOTAL LIABILITIES AND EQUITY		5,094,335	4,247,077	2,586,292

On behalf of the Management Board of the Bank:

Batyrbekov K.T.
Acting Chairman of the Board
28 April 2016
Almaty



Shoibekova G.K.
Chief Accountant

28 April 2016
Almaty

The notes on pages 12-119 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	Share capital	Treasury shares	Additional paid-in-capital	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit ¹	Cumulative translation reserve ¹	Hedging reserve ¹	Statutory reserves ¹	Retained earnings ¹	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2012	213,301	(634)	(6,405)	5,808	(98)	121	591	802	105,468	318,954	1,315	320,269
Net profit	-	-	-	-	-	-	-	-	52,122	52,122	413	52,535
Other comprehensive income/(loss)	-	-	-	156	(55)	(928)	310	-	-	(517)	(25)	(542)
Total comprehensive income/(loss)	-	-	-	156	(55)	(928)	310	-	52,122	51,605	388	51,993
Transfer from statutory reserve	-	-	-	-	-	-	-	(802)	802	-	-	-
Repurchase of treasury shares	-	(55)	-	-	-	-	-	-	-	(55)	-	(55)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(185)	-	-	-	-	185	-	-	-
31 December 2013	<u>213,301</u>	<u>(689)</u>	<u>(6,405)</u>	<u>5,779</u>	<u>(153)</u>	<u>(807)</u>	<u>901</u>	<u>-</u>	<u>158,577</u>	<u>370,504</u>	<u>1,703</u>	<u>372,207</u>

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	Share capital	Treasury shares	Additional paid-in-capital	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit ¹	Cumulative translation reserve ¹	Hedging reserve ¹	Retained earnings ¹	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2013	213,301	(689)	(6,405)	5,779	(153)	(807)	901	158,577	370,504	1,703	372,207
Net profit	-	-	-	-	-	-	-	21,405	21,405	2,336	23,741
Other comprehensive income/(loss)	-	-	-	1,825	(1,496)	(2,413)	(199)	-	(2,283)	2,688	405
Total comprehensive income/(loss)	-	-	-	1,825	(1,496)	(2,413)	(199)	21,405	19,122	5,024	24,146
Repurchase of treasury shares	-	(51,667)	-	-	-	-	-	(1)	(51,668)	-	(51,668)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(438)	-	-	-	438	-	-	-
Effect of transfer of liabilities from BTA	-	-	-	-	-	-	-	27,745 ²	27,745	(27,745)	-
Increase in non-controlling interest as a result of acquisition	-	-	-	-	-	-	-	-	-	72,530	72,530
Decrease in non-controlling interest as a result of dividend payment	-	-	-	-	-	-	-	-	-	(1,174)	(1,174)
31 December 2014	213,301	(52,356)	(6,405)	7,166	(1,649)	(3,220)	702	208,164	365,703	50,338	416,041

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	Share capital	Treasury shares	Additional paid-in-capital	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit ¹	Cumulative translation reserve ¹	Hedging reserve ²	Retained earnings ¹	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2014	213,301	(52,356)	(6,405)	7,166	(1,649)	(3,220)	702	208,164	365,703	50,338	416,041
Net loss	-	-	-	-	-	-	-	(15,352)	(15,352)	(3,083)	(18,435)
Other comprehensive income/(loss)	-	-	-	890	(635)	(1,022)	(297)	-	(1,064)	689	(375)
Total comprehensive income/(loss)	-	-	-	890	(635)	(1,022)	(297)	(15,352)	(16,416)	(2,394)	(18,810)
Sale of treasury shares	-	65	-	-	-	-	-	-	65	-	65
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(2,855)	-	-	-	2,855	-	-	-
Acquisition of BTA shares	-	-	-	-	-	-	-	(32,551)	(32,551)	(40,947)	(73,498)
Disposal of subsidiary	-	-	-	-	-	-	-	(21,159)	(21,159)	(2,712)	(23,871)
Repayment of dividends	-	-	-	-	-	-	-	-	-	(61)	(61)
Effect of simultaneous transfer of assets and liabilities	-	-	-	-	-	-	-	4,107	4,107	(4,215)	(108)
Issue of ordinary share capital	73,510	-	-	-	-	-	-	-	73,510	-	73,510
31 December 2015	286,811	(52,291)	(6,405)	5,201	(2,284)	(4,242)	405	146,064	373,259	9	373,268

¹The amounts included within the Investments available-for-sale fair value deficit, Cumulative translation reserve, Hedging reserve, Statutory reserves and Retained earnings, in the above tables, are included within "Other reserves" in the consolidated statement of financial position.

²During the year ending 31 December 2014, JSC BTA Bank Eurobonds in the amount of USD 750 million with a 5.5% coupon rate and maturity date in the year 2022 were recognized by KKB at the date of acquisition of BTA for USD 450 million representing their value at the time of acquisition. The resulting difference in the amount of USD 300 million is effectively a distribution by BTA to KKB. As a result, the non-controlling interest related to BTA was reduced by KZT 27,745 million (USD 150 million) and a corresponding increase in KKB owners' equity was recognized.

On behalf of the Management Board of the Bank:

Batyrbekov A.I.
Acting Chairman of the Board

28 April 2016
Almaty

Shoinbekova G.K.
Chief Accountant

28 April 2016
Almaty

The notes on pages 12-119 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss	10,650	6,201	5,768
Interest received on loans and advances to banks and other financial institutions	9,031	5,921	1,913
Interest received from loans to customers	129,600	169,085	165,291
Interest received from bonds of JSC National Welfare Fund Samruk-Kazyna	28,376	19,350	-
Interest received from investments available-for-sale	6,778	2,580	1,025
Interest received from investments held to maturity	1,452	426	404
Interest paid on loans and advances from banks and other financial institutions	(9,338)	(22,323)	(3,745)
Interest paid on customer accounts	(108,034)	(95,932)	(73,718)
Interest paid on debt securities issued	(44,339)	(28,162)	(22,626)
Interest paid on other borrowed funds	(2,369)	(9,195)	(1,145)
Interest paid on subordinated debt	(6,319)	(6,998)	(7,261)
Fee and commission received	49,125	41,864	31,349
Fee and commission paid	(19,071)	(16,646)	(9,179)
Other income received	14,356	9,012	6,527
Operating expenses paid	(79,983)	(61,268)	(29,628)
Cash (outflow)/inflow from operating activities before changes in operating assets and liabilities	(20,085)	13,915	64,975
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Funds deposited with National Bank of the Republic of Kazakhstan	(14,737)	959	(2,197)
Funds deposited with Central Bank of Russian Federation	(1,461)	729	872
Funds deposited with National Bank of the Kyrgyz Republic	-	(35)	(6)
Funds deposited with National Bank of Tajikistan	(409)	(63)	(6)
Precious metals	(1,082)	(335)	1,333
Financial assets at fair value through profit or loss	(69,099)	(15,433)	(2,568)
Loans and advances to banks and other financial institutions	(173,927)	35,228	12,106
Loans to customers	124,938	50,870	(39,263)
Other assets	(9,865)	31,334	(14,434)
Increase/(decrease) in operating liabilities:			
Loans and advances from banks and other financial institutions	53,737	83,547	(12,886)
Customer accounts	31,552	(114,167)	137,369
Other liabilities	(2,643)	626	7,656
Cash (outflow)/inflow from operating activities before taxation	(83,081)	87,175	152,951
Income tax paid	(18,151)	(10,890)	(4,840)
Net cash (outflow)/inflow from operating activities	(101,232)	76,285	148,111

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	(11,272)	(6,963)	(3,257)
Proceeds on sale of property and equipment	6,011	100	139
Proceeds on sale of assets classified as held for sale	16,668	-	-
Dividends received	1,297	1,438	324
Proceeds on sale of investments available-for-sale	43,918	5,042	15,340
Purchase of investments available-for-sale	(2,322)	(52,169)	(22,019)
Proceeds on acquisition of subsidiary (Note 2)	-	20,595	-
Proceeds on sale of subsidiaries	4,071	-	-
Purchase of investments in subsidiary (Note 2)	(73,498)	-	-
Purchase and capitalization of investment property	(1,324)	(22,349)	(2,164)
Proceeds from disposal of investment property	76	445	-
Proceeds on rent of investment property	-	-	5
Proceeds on maturity of investments held to maturity	727	912	643
Purchase of investments held to maturity	(185,543)	(8,498)	(582)
Net cash (outflow)/inflow from investing activities	(201,191)	(61,447)	(11,571)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital	73,510	-	-
Purchase of treasury shares	-	(51,667)	(55)
Sale of repurchased treasury shares	65	-	-
Proceeds from debt securities issued	97,992	60,548	1,823
Repurchase and repayment of debt securities issued	(86,598)	(36,478)	(52,082)
Proceeds from repayment of JSC National Welfare Fund Samruk-Kazyna bonds	32,250	-	-
Proceeds from other borrowed funds	28,671	26,000	-
Repayment of subordinated debt	(12,496)	-	-
Repayment of other borrowed funds	(5,079)	(5,733)	(3,166)
Proceeds from subordinated debt	101,144	-	-
Dividends paid on preference shares	(1,131)	(2,052)	(758)
Net cash inflow/(outflow) from financing activities	228,328	(9,382)	(54,238)
Effect of foreign exchange changes on the balance of cash held in foreign currencies	36,983	25,097	3,750
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(37,112)	30,553	86,052
CASH AND CASH EQUIVALENTS, beginning of period (Note 14)	305,538	274,985	188,933
CASH AND CASH EQUIVALENTS, end of period (Note 14)	268,426	305,538	274,985

During the years ended 31 December 2015, 2014 and 2013 there were non-cash transfers, which were excluded from the consolidated statements of cash flows and disclosed in Note 20, 21 and 23.

On behalf of the Management Board of the Bank:

Batyrbekov A.D.
Acting Chairman of the Board

28 April 2016
Almaty

Shoinbekova G.K.
Chief Accountant

28 April 2016
Almaty

The notes on pages 12-119p form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013

1. ORGANISATION

Joint Stock Company (“JSC”) Kazkommertsbank (“the Bank”, “Kazkommertsbank” or “KKB”) is a Joint Stock Company and has operated in the Republic of Kazakhstan since 1990. The Bank’s activities are regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”) in accordance with the license № 1.2.16/222/32 dated 2 December 2014. The Bank’s primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at 135Zh, Gagarin str., Almaty 050060, Republic of Kazakhstan.

As at 31 December 2015, 2014 and 2013, the Bank has 23 branches in the Republic of Kazakhstan.

Kazkommertsbank is a parent company of the banking group (“the Group”) which consists of the following subsidiaries consolidated in the financial statements:

Name	Country of operation	Proportion or ownership interest/voting rights			Type of operation
		As at 31 December 2015	As at 31 December 2014	As at 31 December 2013	
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	100%	Payment card processing and other related services
Kazkommerts International B.V.	Kingdom of the Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of the Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	100%	Banking
JSC Commercial Bank Moskommertsbank	Russian Federation	100%	100%	100%	Banking
LLP KUSA KKB-1	Republic of Kazakhstan	100%	100%	100%	Management of stress assets
LLP KUSA KKB-2	Republic of Kazakhstan	100%	100%	100%	Management of stress assets
LLP KUSA KKB-3	Republic of Kazakhstan	100%	100%	-	Management of stress assets
JSC BTA Securities	Republic of Kazakhstan	100%	-	-	Securities market transactions and management of assets
LLP AlemCard	Republic of Kazakhstan	100%	-	-	Payment card processing and other related services
LLP Titan-Inkassatsiya	Republic of Kazakhstan	100%	-	-	Cash collection services
JSC Life Insurance Company Kazkommerts Life	Republic of Kazakhstan	100%	100%	100%	Life insurance
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	99.97%	100%	100%	Insurance
JSC Grantum APF	Republic of Kazakhstan	82.52%	82.52%	82.52%	Pension fund
Kazkommerts Capital II B.V.	Kingdom of the Netherlands	-	100%	100%	Raising funds for the Bank on international capital markets
JSC GRANTUM Asset Management	Republic of Kazakhstan	-	100%	100%	Investment management of pension assets
LLP Kazkom Realty	Republic of Kazakhstan	-	100%	-	Management of stress assets

Name	Country of operation	Proportion or ownership interest/voting rights			Type of operation
		As at 31 December 2015	As at 31 December 2014	As at 31 December 2013	
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	-	95.75%	95.75%	Banking
JSC BTA Bank and related subsidiaries	Republic of Kazakhstan	-	47.42%	-	Banking

Other changes in Group structure

Merger of BTA Life and Kazkommerts-Life

On 16 September 2015, the Bank decided to merge of its subsidiary insurance companies, as a result of which JSC Subsidiary Life Insurance Company of BTA Bank JSC BTA Life (“BTA Life”) merged with JSC Life Insurance Company Kazkommerts-Life (“Kazkommerts-Life”). All assets, as well as liabilities of BTA Life towards its clients have been transferred to Kazkommerts-Life.

Merger of BTA Insurance and Kazkommerts-Policy

On 18 December 2014, the shareholders of JSC Subsidiary of JSC BTA Bank BTA Insurance (“BTA Insurance”) and JSC Insurance Company Kazkommerts-Policy made a decision on the voluntary reorganization of JSC BTA Insurance and JSC Insurance Company Kazkommerts-Policy by merging JSC BTA Insurance to JSC Insurance Company Kazkommerts-Policy.

On 30 June 2015, in accordance with the Agreement of Accession dated 19 December 2014, assets, liabilities and equity capital of BTA Insurance were transferred to JSC Insurance Company Kazkommerts-Policy. The transfer resulted the number of shares of JSC Kazkommerts-Policy, owned by the Bank increased to 505,995 shares, the Bank’s share in JSC Kazkommerts-Policy decreased to 99.62% (due to minority shareholders of BTA Insurance).

In the third quarter of 2015 (after joining of BTA Insurance to JSC Kazkommerts-Policy), the Bank acquired shares of JSC Kazkommerts-Policy from minority shareholders, as a result the Bank's share in the subsidiary increased to 99.67%.

On 10 November 2015, the Bank reported on completion of the process on reorganization of its insurance subsidiary companies as a result of which JSC BTA Insurance has joined JSC Kazkommerts-Policy. All assets, as well as liabilities of BTA Insurance towards its clients have been transferred to Kazkommerts-Policy.

Liquidation of Grantum APF

As a result of the reforms in the pension system of the Republic of Kazakhstan the JSC Grantum APF has stopped accepting pension contributions from its clients and transferred net pension assets under management to JSC Single Accumulating Pension Fund in February 2014.

On 20 June 2014, at the extraordinary General Meeting of Shareholders of JSC Grantum APF, the decision was made on voluntary liquidation of JSC Grantum APF and an appropriate liquidation committee was appointed.

In December 2015, subsidiary of the Bank JSC Grantum APF had distributed share capital among shareholders in accordance with the decision of the liquidation committee. As at 31 December 2015, the cancellation of issued shares and exclusion of the Fund from the register of legal entities was still in process.

Liquidation of Kazkommerts Capital II B.V.

On 5 June 2015, as a result of the completion of the liquidation procedure, the company Kazkommerts Capital II B.V. had been excluded from the Chamber of Commerce of the Netherlands.

Merger of JSC Grantum Asset Management and JSC Kazkommerts Securities

On 15 December 2014, the Board of Directors of the Bank decided on a voluntary reorganization of JSC Grantum Asset Management through a merger with JSC Kazkommerts Securities.

On 17 September 2015, the Bank announced the completion of reorganization of its investment subsidiaries, as a result of which JSC Grantum Asset Management merged with JSC Kazkommerts Securities. JSC Grantum Asset Management ceased its activities, and JSC Kazkommerts Securities assigned all rights and obligations of JSC Grantum Asset Management.

Sale of OJSC Kazkommertsbank Kyrgyzstan

On 16 February 2015, the Bank has sold its stake in a subsidiary company, OJSC Kazkommertsbank Kyrgyzstan its 95.75% stake, representing 293,975 ordinary shares, in accordance with the shares sale agreement approved by the Board of Directors of the Bank on 29 January 2015.

Sale of OJSC JSC Subsidiary of BTA Bank London-Almaty Insurance Company

On 21 July 2015, in accordance with the shares sale agreement, the Bank has sold its 99.86% stake, representing 1,497,946 ordinary shares, in JSC Subsidiary of BTA Bank London-Almaty Insurance Company. The stake was earlier transferred to KKB in line with the Agreement on the simultaneous transfer of assets and liabilities between KKB and JSC BTA Bank (“BTA”).

Sale of JSC BTA Ipoteka

On 18 September 2015, in accordance with the shares sale agreement, the Bank has sold its 100% stake, representing 55,000,000 ordinary shares, in mortgage subsidiary JSC BTA Ipoteka. The stake was earlier transferred to KKB in line with the Agreement on the simultaneous transfer of assets and liabilities between KKB and BTA dated 15 June 2015.

Others

During the fourth quarter of 2015, under the shares sale agreement, the Bank had sold part of its shares in JSC Life Insurance Company Kazkommerts Life and JSC Insurance Company Kazkommerts-Policy (repurchase by issuers).

Shareholders

As at 31 December 2015, 2014 and 2013, the following shareholders owned the issued ordinary shares of the Bank:

	31 December 2015		31 December 2014		31 December 2013	
	Number of shares	Direct ownership,* %	Number of shares	Direct ownership,* %	Number of shares	Direct ownership,* %
Mr. Kenes Rakishev	228,642,743	28.69	-	-	-	-
JSC Qazaq Financial Group (“QFG”)**	223,922,790	28.10	223,922,790	33.45	223,922,790	28.79
JSC Central-Asian Investment Company (“CAIC”)**	185,561,734	23.28	185,561,734	27.72	185,561,734	23.86
JSC NWF Samruk–Kazyna	85,517,241	10.73	85,517,241	12.77	165,517,241	21.28
Mr. Nurzhan Subkhanberdin	47,800,962	6.00	148,666,001	22.20	72,570,672	9.33
European Bank for Reconstruction and Development	-	-	-	-	76,095,329	9.78
Other shareholders	25,490,812	3.20	25,859,399	3.86	54,110,141	6.96
Total****	<u>796,936,282</u>	<u>100.00</u>	<u>669,527,165</u>	<u>100.00</u>	<u>777,777,907</u>	<u>100.00</u>

Notes:

*These percentage holdings were calculated based on the direct holding of each shareholder in the total number of ordinary shares outstanding less treasury shares purchased by the Bank and its subsidiaries. JSC Kazkommerts Securities, subsidiary of the Bank, acts as a market-maker of the Bank’s shares on the local stock exchange.

**Previously JSC Alnair Capital Holding.

***As at 31 December 2015, the total number of shares under CAIC’s control is 228,642,743 ordinary shares, which includes 43,081,009 ordinary shares received in trust management from Mr. Nurzhan Subkhanberdin, total ownership share – 28.69%. (2014 and 2013: including shares received in trust management from JSC NWF Samruk-Kazyna, the total number of shares under CAIC’s control is 241,885,810 ordinary shares, ownership share as at 31 December 2014 – 36.13%, ownership share as at 31 December 2013 – 31.10%).

****This number is calculated at each reporting date as the total number of the ordinary shares outstanding minus treasury shares purchased by the Bank’s market-maker based on the requirements of the Kazakhstan Stock Exchange (“KASE”).

In February 2015, the Bank has placed 20,916 ordinary shares at the price of KZT 575.2 per ordinary share and KZT 1,150.4 per global depository receipt, with the basic asset being the Bank’s ordinary shares (two ordinary shares per GDR) among existing shareholders - holders of ordinary shares as part of their pre-emptive rights.

On 3 March 2015, the Bank acquired 304,187,299,781 ordinary shares of BTA at a price of KZT 0.24162 per share from Mr. Kenes Rakishev for KZT 73,498 million. This was in line with the integration model approved by the shareholders of the two banks on 26 December 2014. As a result, the Bank’s holding in BTA increased to 94.83%. At the same time, Mr. Kenes Rakishev purchased 127,777,704 ordinary shares of the Bank at a price of KZT 575.2 per share under the share offering agreement announced earlier and after receiving necessary regulatory approvals, Mr. Kenes Rakishev became a new major shareholder of the Bank.

On 30 April 2015, Mr. Nurzhan Subkhanberdin sold a 7.22% stake in KKB, representing 57,544,959 ordinary shares, to the major shareholder of the Bank, Mr. Kenes Rakishev. On 29 June 2015, Mr. Nurzhan Subkhanberdin sold a 1.168% stake in KKB, representing 9,313,819 ordinary shares, to the major shareholder of the Bank, Mr. Kenes Rakishev. These transactions were in line with the integration model approved by the shareholders of KKB and BTA on 26 December 2014.

JSC Central Asian Investment Company (“CAIC”) owned 185,561,734 ordinary shares of KKB (23.27%) and an additional 56,324,076 ordinary shares carrying voting rights were transferred to trust management under the agreement signed in 2009 with JSC NWF Samruk-Kazyna as part of the government stabilisation programme. Under the agreement between the JSC NWF Samruk-Kazyna and CAIC, trust management was due to be in force until either May 2017 or the completion of the integration of KKB and BTA, whichever comes first. Since the integration of KKB and BTA has now been completed, the trust management agreement in respect of KKB’s ordinary shares between CAIC and the Fund was terminated effective from 26 June 2015.

To ensure CAIC retains a share of at least 25% in KKB, on 26 June 2015, Mr. Nurzhan Subkhanberdin has transferred 43,081,009 ordinary shares (5.4%) into the trust management of CAIC.

On 3 July 2015 and 4 August 2015, in line with the integration model approved by the shareholders of KKB and BTA on 26 December 2014, Mr. Nurzhan Subkhanberdin has sold his part of the ordinary shares of the Bank in the quantity of 11,479,823 (1.44%) and 22,526,438 (2.82%), respectively, to major shareholder of the Bank – Mr. Kenes Rakishev.

On 29 December 2015, Mr. Kenes Rakishev has completed a transaction with JSC Qazaq Financial Group (“QFG”) on purchase of its parent company, QFG, which owns 28.08% of issued and placed ordinary shares of KKB. As a result, Mr. Kenes Rakishev became General Partner of QFG with voting and other rights in respect to ordinary shares of the Bank owned by QFG. Thus, Mr. Kenes Rakishev directly and indirectly (via QFG) controls 56.75% of issued and placed ordinary shares of the Bank. Subsequent transactions are disclosed in Note 30.

Information on major shareholders

CAIC is bank holding company through which the top management of the Bank own shares of the Bank. As at 31 December 2015, the sole shareholders of CAIC were Mr. Nurzhan Subkhanberdin, who owns 87.21% (2014: 87.21%, 2013: 87.21%) and Mrs. Nina Zhussupova, who owns 12.79% (2014: 12.79%, 2013: 12.79%). CAIC and Mr. Nurzhan Subkhanberdin act as the bank’s holding company and major shareholder, respectively, on the basis of approval of the NBRK. As at 31 December 2015, Mr. Nurzhan Subkhanberdin owns 26.30% (2014: 53.70%, 2013: 36.45%) of the ordinary share capital of the Bank through direct and indirect ownership as a result of his holdings in CAIC and Mrs. Nina Zhussupova owns 2.98% (2014: 4.62%, 2013: 3.98%) through indirect ownership.

QFG is a company operating under the laws of the Republic of Kazakhstan whose sole participant is Qazaq Capital Management LLP exercising all the rights of the participant and manager of the company’s activity. QFG group of companies has been the Bank’s shareholder from 2008 possessing the official status of the bank holding company which was obtained with approval of the NBRK. QFG mainly holds shares in the form of GDRs which are included into the total number of shares being in the nominal holding of the Central Depository.

JSC NWF Samruk–Kazyna is an entity controlled by the Government of the Republic of Kazakhstan.

These consolidated financial statements were authorized for issue by the Management Board of the Bank on 28 April 2016.

2. OPERATIONS WITH JSC BTA BANK

Acquisition of JSC BTA Bank

On 30 June 2014, the Bank and Mr. Kenes Rakishev, each purchased a 46.5% equity stake in BTA from JSC National Welfare Fund Samruk–Kazyna (“JSC NWF Samruk-Kazyna”). Meanwhile, JSC NWF Samruk–Kazyna transferred its remaining 4.26% in BTA to the Bank under a Trust Agreement providing the Bank with over 50% of the voting rights and operational control of BTA.

During the third quarter of 2014, the Bank and Mr. Kenes Rakishev acquired 11,783,301,082 ordinary shares of BTA from minority shareholders at a price of KZT 0.24162 per share. In accordance with the contractual agreements, all shares purchased from minority shareholders of BTA were distributed equally between the Bank and Mr. Kenes Rakishev at the same price (KZT 0.24162 per share).

Acquisition cost of BTA is as follows:

	Carrying value 30 June 2014 (unaudited) (KZT million)	Fair value 30 June 2014 (unaudited) (KZT million)
Assets		
Cash and balances with national (central) banks	39,367	39,367
Financial assets at fair value through profit or loss	60,677	60,711
Loans and advances to banks and other financial institutions	56,873	60,676
Loans to customers	607,619	527,917
Bonds of JSC National Welfare Fund Samruk-Kazyna	656,216	659,116
Investments available-for-sale	35,319	35,317
Investments in associates	12,408	12,408
Goodwill	998	998
Property, equipment and intangible assets	10,768	10,768
Other assets	98,220	98,220
	<u>1,578,465</u>	<u>1,505,498</u>
Liabilities		
Loans and advances from banks and other financial institutions	497,740	498,478
Customer accounts	547,085	548,786
Derivative financial instruments	10,426	10,426
Debt securities issued	87,773	105,973
Other borrowed funds	129,529	146,492
Provisions	30,475	30,475
Deferred tax liabilities	214	214
Dividends payable	10	10
Other liabilities	28,043	28,043
	<u>1,331,295</u>	<u>1,368,897</u>
Net assets		136,601
Non-controlling interest		74,149
Net assets acquired as above		<u>136,601</u>
Less: non-controlling interest in subsidiaries of JSC BTA Bank		<u>(2,296)</u>
Net assets attributable to acquisition		<u>134,305</u>
Net acquired assets, 46.5%		62,452
Consideration transferred		<u>(62,452)</u>
The excess of Bank’s share in cost of acquired net assets of BTA Bank over consideration transferred		<u>-</u>

Consideration transferred:

	BTA (KZT million)
Consideration paid	31,000
Consideration payable	<u>31,452</u>
Total	<u><u>62,452</u></u>

Net cash inflow on acquisition of subsidiary:

	BTA (KZT million)
Consideration paid in cash	31,000
Less: cash and cash equivalent balances acquired	<u>(51,595)</u>
	<u><u>(20,595)</u></u>

The non-controlling ownership interest (53.5%) in BTA recognised at the acquisition date was measured by reference to the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets and amounted to KZT 74,149 million.

The initial accounting for the acquisition of BTA has been determined at the end of the reporting period, based on the fair value information.

The loans acquired (to customers and to banks) had fair value of KZT 527,917 million and KZT 60,676 million, respectively, and gross contractual amounts of KZT 3,403,990 million and KZT 66,433 million, respectively. The best estimate at acquisition date of the amounts expected not to be collected on these contractual cash flows is KZT 2,796,371 million and KZT 9,560 million, respectively.

Transfer of assets

On 15 June 2015, KKB and BTA have signed an agreement on the simultaneous transfer of assets and liabilities ("the Agreement") between the two banks. Under the Agreement, certain assets and liabilities of BTA were transferred to KKB, and a portion of KKB's distressed assets was transferred to BTA.

According to the Agreement, the following assets and liabilities of BTA were transferred to KKB:

1. All current and savings account balances opened in BTA of legal entities and individuals;
2. Balances on active card accounts, together with the corresponding payment cards;
3. Claims on loans to corporate, small and medium entrepreneurs and retail customers;
4. BTA's operating branches and offices;
5. Part of BTA's property, equipment and buildings, inventories, securities and cash;
6. Shares in BTA subsidiaries: JSC Subsidiary of JSC BTA Bank BTA Insurance, JSC Subsidiary of JSC BTA Bank BTA Life, JSC SK Leasing, JSC Subsidiary of JSC BTA Bank BTA Securities, JSC Subsidiary of JSC BTA Bank BTA Ipoteka, JSC Subsidiary of JSC BTA Bank Insurance company London-Almaty, LLP Subsidiary of JSC BTA Bank Alem Card and LLP Titan-Inkassatsiya.

In turn, the following assets of KKB were transferred to BTA:

1. Claims on loans to corporate customers;
2. Equity interest in LLP Kazkom Realty, the Bank's subsidiary that manages real estate-related distressed assets.

On 27 August 2015, in line with the Agreement, 48,125 ordinary shares (55% of the total outstanding ordinary shares issued by JSC SK Leasing were transferred to BTA.

The Agreement took into account peculiarities of the transferred assets, their changes and called for the need to:

- Conduct the reconciliation in order to identify actually transferred assets and liabilities, recording any changes in the condition of the assets and liabilities and determination of assets and liabilities at the date of the actual transfer;
- Direct the results of verification to an independent appraiser in order to determine the market value of the assets of BTA and KKB, transferred under the Agreement;
- Adjust balances of counterclaims based on the value determined by an independent appraiser, and to deliver an adjusted balance for approval by the Board of Directors of KKB and BTA. The adjusted balance of counterclaims should reflect: the market value of the assets of BTA, transferred to KKB, determined by an independent appraiser; the amount of money transferred to BTA in favor of KKB; the market value of the assets of KKB, transferred to BTA, determined by an independent appraiser; the total carrying amount of liabilities of BTA, transferred to KKB, and adjusted amount of the debt of BTA.

Taking into account the amendments to the Agreement as at 14 December 2015, the adjusted balance of the counter-claims based on the fair value of assets at the date of transfer (on 15 June 2015) is as follows:

- The fair value of the assets of BTA, as at 15 June 2015, transferred to KKB amounted to KZT 343,648 million, including the cash in the amount of KZT 29,763 million.
- The fair value of assets of KKB as at 15 June 2015, transferred to BTA amounted to KZT 1,158,034 million.
- The total fair value of liabilities of BTA, transferred to KKB amounted to KZT 356,213 million.
- The total fair value of KKB assets, as at 15 June 2015, transferred to BTA, exceeded the total market value of BTA's assets, as at 15 June 2015, transferred to KKB (net of liabilities of BTA, transferred to KKB) by KZT 1,170,599 million.

The difference between fair and carrying value of the assets received/transferred in accordance with the Agreement, was KZT 40,446 million and was reflected in the statement of changes in equity in the line "Effect of simultaneous transfer of assets and liabilities".

Disposal of JSC BTA Bank

After the simultaneous transfer of assets and liabilities and cancellation of BTA banking license, KKB transferred control over BTA to its main shareholders and excluded BTA from its consolidated financial statements, starting from 30 June 2015.

On 25 September 2015, the Bank completed the redemption procedure of BTA shares in the amount of 27,351,461,050 ordinary shares (4.26%) from JSC NWF Samruk-Kazyna, which prior to this date were under trust management of KKB. An agreement of trust management of BTA shares was previously signed between KKB, as trustee, and JSC NWF Samruk-Kazyna, as the founder of the trust management on 31 January 2014, in line with the integration model of KKB and BTA.

On 9 December 2015, the Board of Directors of KKB decided to dispose 608,374,602,366 ordinary shares issued by BTA under terms and conditions specified by the Board of Directors of KKB. In accordance with the decision, on 28 December 2015, major shareholders of the Bank, Mr. Kenes Rakishev and Mr. Nurzhan Subkhanberdin, have signed agreements on sale of BTA shares in the amount of 294,246,757,376 shares each.

Disposed assets and liabilities of BTA on the date of loss of control:

	30 June 2015 (unaudited) (KZT million)
ASSETS:	
Cash and balances with national (central) banks	981
Financial assets at fair value through profit or loss	2,658
Loans and advances to banks and other financial institutions	153,257
Loans to customers	789,038
Investments available-for-sale	14,990
Investments in associates	6,167
Goodwill	24
Investment property	188,914
Property, equipment and intangible assets	9,313
Other assets	395,998
Assets classified as held for sale	11,769
Total assets	<u>1,573,109</u>
LIABILITIES:	
Loans and advances from banks and other financial institutions	1,343,505
Customer accounts	32,764
Other borrowed funds	141,037
Provisions	1
Deferred income tax liabilities	49
Other liabilities	25,709
Liabilities directly associated with assets classified as held for sale	6,173
Total liabilities	<u>1,549,238</u>
Net assets disposed	<u><u>23,871</u></u>
Loss on disposal of a subsidiary:	
	On the date of disposal
Investments in BTA stated at fair value	-
Net assets disposed	(23,871)
Non-controlling interest in subsidiaries of BTA	2,712
Loss on disposal	<u><u>(21,159)</u></u>

Loss on disposal is reflected as loss from disposal of subsidiary in the consolidated statement of changes in equity, in the line “Disposal of subsidiary”.

As at 30 June 2015, investments in BTA were reclassified to investments available-for-sale, due to loss of control and absence of significant influence.

3. SIGNIFICANT ACCOUNTING POLICIES

Going concern principle

These financial statements have been prepared on going concern basis, which assumes the realisation of assets and discharge of liabilities in the normal course of business of the Group within the foreseeable future.

For the year ended 31 December 2015, the Group incurred a net loss after tax in the amount of KZT 18,435 million, which was mainly attributable to the recording of additional impairment losses on interest bearing assets. A description of the methodology for calculating impairment losses is further explained in Note 3 to these financial statements.

During April 2016, the Bank made several changes to the composition of the Management Board. The newly formed Management team have approved and are implementing a new corporate strategy for the development of the Group's operations, including advice obtained from external professional consultants. The strategy includes the following components:

- To strengthen the Bank's technological leadership in the market;
- To enhance the banking services offered to customers through investing in new technology;
- To develop the customer centricity of the existing branch network and further enhance the customer experience;
- To focus on collections of non-performing assets.

As a result of the new corporate strategy and the continued support of the major shareholder, which is evidenced by his further investment in the share capital of the Bank during 2015 and 2016 (Note 38), Management believe the Group will return to profitable operations in 2016 and continue as a going concern for the foreseeable future.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB").

Other basis of presentation criteria

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements are presented in millions of Kazakhstani tenge ("KZT"), unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are accounted for at fair value and insurance liabilities which are accounted for based on actuarial calculations and certain property and equipment which are carried at revalued cost less depreciation and impairment as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Kazkommertsbank and its subsidiaries (except for subsidiaries in Russian Federation and Republic of Tajikistan) maintain their accounting records in accordance with IFRS. Subsidiaries in Russian Federation and Republic of Tajikistan maintain their accounting records in accordance with local GAAP and their financial statements are prepared from the local statutory accounting records and adjusted to conform with IFRS.

These consolidated financial statements have been prepared based on the accounting records of the Bank and its subsidiaries. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 37.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the “functional currency”). The functional currency of the Bank is Kazakhstani tenge. The presentation currency of the consolidated financial statements is Kazakhstani tenge.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interest are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, with some exceptions.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Parent. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Parent.

When the Bank loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

For a business combination involving an entity or business under common control, all assets and liabilities of the subsidiary are measured at the carrying values recorded in the stand-alone financial statements of the subsidiary. The difference between the carrying value of the acquired share in net assets of the subsidiary and the cost of acquisition are recorded directly in equity attributable to the owners of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Derecognition of financial assets and liabilities

Financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

On the redemption or settlement of debt securities (including subordinated liabilities) issued by the Group, the Group derecognises the debt instrument and records a gain or loss being the difference between the debt's carrying amount and the cost of redemption or settlement. The same treatment applies where the debt is exchanged for a new debt issue that has terms substantially different from those of the existing debt. The assessment of whether the terms of the new debt instrument are substantially different takes into account qualitative and quantitative characteristics including a comparison of the discounted present value of the cash flows under the new terms with the discounted present value of the remaining cash flows of the original debt issue.

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

Cash and balances with national (central) banks

Cash and balances with national (central) banks include cash on hand and unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan, the Central Bank of the Russian Federation, the National Bank of Kyrgyz Republic and the National Bank of Tajikistan with original maturities within three months.

Cash and cash equivalents

For the purposes of determining cash flows, cash and cash equivalents includes advances to banks with original maturities within three months, cash and balances with national (central) banks less the minimum reserve deposits required by the Central Bank of the Russian Federation, the National Bank of the Republic of Kazakhstan, the National Bank of the Kyrgyz Republic and the National Bank of Tajikistan.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates using the KZT/USD exchange rate effective on the date. Changes in the bid prices are recorded in net gain/(loss) on foreign exchange and precious metals operations.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking or (3) which are designated by the Group at fair value through profit or loss upon initial recognition.

A financial asset or liability other than a financial asset or liability held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; (2) the financial asset or liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. Fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated statement of profit or loss for the period and is included in the 'Net gain/(loss) from financial assets and liabilities at fair value through profit or loss' line item. Fair value is determined in the manner described in Note 35.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including forwards, futures, swaps and options on foreign currency, precious metals and securities to manage currency, interest rate and liquidity risks and for trading purposes. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included within financial assets or financial liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in Net gain/(loss) from financial assets and liabilities at fair value through profit or loss in the consolidated statement of profit or loss.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in the consolidated statement of profit or loss. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Loans and advances to banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks and other financial institutions. Loans and advances to banks and other financial institutions with a fixed maturity term are initially recorded at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any reduction from impairment or uncollectibility.

Securities repurchase and reverse repurchase agreements and lending transactions

In the normal course of business the Group enters into financial assets sale and purchase back agreements (“repos”) and financial assets purchase and sale back agreements (“reverse repos”). Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets transferred under repos are retained in the consolidated financial statements and the consideration received under these agreements is recorded as a collateralized loan received within loans and advances from banks and other financial institutions.

Financial assets received under reverse repos are recorded in the consolidated financial statements as loans which are collateralized by securities and are classified within Loans and advances to banks and other financial institutions and loans to customers.

In the event that the financial assets received under reverse repos are sold to third parties, the results are recorded in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and resale of the underlying financial assets is accrued over the life of the agreement using the effective interest rate and recognized as interest income or expense in the consolidated statement of profit or loss.

The Group enters into repos and reverse repos agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Kazakhstan and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated statement of profit or loss according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances to banks and customers are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as a decrease of charge for impairment of financial assets in the consolidated statement of profit or loss in the period of recovery.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. A lease is classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor presents finance leases within Loans to customers and initially measures them in the amount equal to net investment in the lease. Subsequently, the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the finance lease.

Investments available-for-sale

Investments available-for-sale represents debt and equity investments that are intended to be held for an indefinite period of time. Investments in available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Investments available-for-sale are initially recorded at fair value and subsequently are measured at fair value, with such re-measurement recognized in other comprehensive income and accumulated within the Investments available-for-sale fair value reserve which is included in Other reserves category within equity, except for impairment losses, foreign exchange gains or losses, interest income accrued using the effective interest method and dividends on available-for-sale equity investments, which are recognized directly in the consolidated statement of profit or loss. When sold, the cumulative gain or loss previously accumulated in the Investments available-for-sale fair value reserve is reclassified to profit or loss. Fair value is determined in the manner described in Note 35.

Dividends on available-for-sale equity investments are recognised when the Group's right to receive the dividends is established and are included in dividend income in the consolidated statement of profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has a positive intent and the ability to hold them to maturity. Such securities are carried at amortized cost, using the effective interest rate method, less any allowance for impairment. Amortized discounts or premiums are recognized in interest income over the period to maturity using the effective interest method.

Impairment of financial assets

Financial assets carried at amortized cost

The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. Such impairment losses are not reversed unless in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as recoveries, in which case the previously recognized impairment loss is reversed by adjustment of an allowance account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Investments available-for-sale

If an available-for-sale asset is impaired, the cumulative loss comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of profit or loss, is reclassified from equity to the consolidated statement of profit or loss. Reversals of impairment losses in respect of equity securities classified as available-for-sale are not recognized in the consolidated statement of profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated within the Investments available-for-sale fair value reserve which is included in Other reserves line item within equity. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of profit or loss.

For the financial assets recorded at cost the impairment represents the difference between the carrying value of the financial asset and present value of the estimated future cash flows discounted using the current market interest rate for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included in the consolidated statement of profit or loss using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). Assets recorded in the consolidated statement of financial position are reduced by the amount of the impairment. The factors the Group evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Group believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Group can incur losses greater than recorded impairment.

Goodwill

Goodwill arising on the acquisition of a business is carried at cost as established at the date of acquisition of the business (see paragraph Business Combinations above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, equipment and intangible assets

Property and equipment, except for buildings, other real estate and intangible assets are carried at historical cost less accumulated depreciation and amortization. Buildings and other real estate are carried at market value, market value is revised on an annual basis. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation and amortization of property, equipment and intangible assets are charged on the carrying value of property and equipment and are designed to write off assets over their useful economic lives. Depreciation and amortization are calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	1-10%
Furniture and equipment	4-50%
Intangible assets	15-50%

Freehold land is not depreciated.

Leasehold improvements are amortized over 5 years. Expenses related to repairs and renewals are charged when incurred and included in operating expenses in the consolidated statement of profit or loss, unless they qualify for capitalization.

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use, where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by an appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to profit or loss for the period to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to consolidated statement of profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Market value of property is assessed using one of three methods:

- The comparable sales method which involves analysis of market sales prices for similar real estate property based on available public information;
- The income-based method which assumes a direct relationship between revenues generated by the property and its market value;
- The costs method which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. When the Group determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier).

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Assets classified as held for sale

Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated statement of profit or loss as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Discontinued operation

Disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted as of the reporting date.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit or taxable temporary difference from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the consolidated statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Countries where the Group operates also have various other taxes other than income tax, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss.

Loans and advances from banks and other financial institutions, customer accounts, debt securities issued, other borrowed funds and subordinated debt

Loans and advances from banks and other financial institutions, customer accounts, debt securities issued, other borrowed funds and subordinated debt are initially recognized at fair value less transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Provisions

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

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision as determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Share capital and share premium reserve

Share capital is recognized at historical cost. The amount of share capital may be changed through placement of treasury shares (increase in capital), as well as through repurchase of treasury shares (decrease in capital).

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 “Events after the Balance Sheet Date” and disclosed accordingly.

Preference shares

Preferred shares that mandate the payment of dividends at a predetermined guaranteed amount shall be treated as compound financial instruments that contain a liability. On initial recognition, the fair value of the debt component is measured by discounting the expected future cash flows at the market rate for similar debt instruments and recognized in the statement of financial position as a liability, as well as in the additional paid-in capital. Subsequently, the debt component is measured according to the same principles as those used for subordinated debt, and equity component is measured according to the same principles as for share capital. Current period dividends relating to these shares are recognized as expenses in profit or loss.

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the countries in which the Group operates certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement all retirement benefit payments are made by the pension funds as selected by employees. The Group does not have any pension arrangements separate from the state pension system of the countries in which the Group operates. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income also includes income earned on investments in securities. Other income is credited to the consolidated statement of profit or loss when the related transactions are completed. Interest income, received on assets assessed at fair value, is classified as interest income.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct and incremental costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated statement of profit or loss when the syndication has been completed. All other commissions are recognized when services are provided.

Underwriting income and expenses

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve, claims paid, the provision of insurance losses and loss adjustment expenses, and insurance policy acquisition cost.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within Provisions in the accompanying consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated statement of profit or loss as incurred.

Commissions earned on ceded reinsurance contracts are recorded to the consolidated statement of profit or loss at the date the reinsurance contract is written and deemed enforceable.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are deferred, recorded in the accompanying consolidated statement of financial position within other assets, and are amortized over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount it is written down immediately. All other costs are recognized as expenses when incurred.

Reserve for insurance losses and loss adjustment expenses

Reserve for insurance losses and loss adjustment expenses is a summary of estimates of ultimate losses, and includes both claims reported but not settled (“RBNS”) and claims incurred but not reported (“IBNR”).

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Group during its investigation of insured events. IBNR is estimated by the Group based on its previous history of claims/indemnification of claims using actuarial methods of calculation, which include loss triangulation for insurance classes for which there is statistical data. For the types of insurance that do not have statistical data, IBNR is calculated according to the NBRK requirements as not less than 5% of the written premiums net of commission, for the last twelve months prior to reporting date.

Life insurance

The reserves for claims and claims incurred for annuity contracts are determined as the sum of the discounted value of the expected future benefits, annuities handling and contracts administration expenses, which are directly related to the contract, less the discounted value of the expected estimated premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The reserves are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

The reinsurers’ share in the provision for losses is calculated in accordance with the reinsurers’ share under the reinsurance contracts.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from legal risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the accompanying consolidated statements of financial position within other assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are transferred by the Group to the reinsurer.

The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Rates of exchange

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year end are as follows:

	31 December 2015	31 December 2014	31 December 2013
KZT/1 US Dollar	340.01	182.35	154.06
KZT/1 Euro	371.46	221.59	212.02
KZT/1 Kyrgyz Som	4.43	3.10	3.13
KZT/1 Russian Rouble	4.61	3.13	4.68
KZT/1 Tajikistan Somoni	50.81	35.35	32.27

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Equity reserves

The reserves recorded in equity on the Group's statement of financial position include:

- 'Property and equipment revaluation reserve' which comprises revaluation reserve of land and buildings;
- 'Investments available-for-sale fair value reserve/(deficit)' which comprises changes in fair value of available-for-sale investments;
- 'Cumulative translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations;
- 'Hedging reserve' which is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Since late 2009, the hedge did not meet the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs;
- 'Statutory reserve' which reflects the difference between provisions calculated in accordance with local requirements and provisions calculated under IFRS. The difference is attributable to fundamental methodological deviations including the impact of discounted future cash flows and the impact which certain forms of collateral have on the level of provision. Before 1 January 2013 this reserve was required by legislation of the Republic of Kazakhstan and is created through appropriations of retained earnings. This requirement was cancelled by NBRK effective from 1 January 2013.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Fiduciary activities

The Group provides depository services to its customers, which include transactions with securities on their depository accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

The segments are identified on the basis used by the Group's chief operating decision maker (Management Board) to allocate resources and evaluate performance, in accordance with IFRS 8 "Operating Segments". The Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to interest expense on debt securities issued and loans and advances to banks and other financial institutions and operating expenses other than salaries and other employee benefits. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported based on the domicile of the company within the Group.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies the Group management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of BTA loan

Accounting policy

The allowance for impairment losses on loans issued to BTA, a company under common control, was estimated in accordance with the Group's accounting policy for unimpaired loans, due to the fact the loan is currently performing, as interest and principal payments have been made in line with the contractual repayment schedule.

Further in assessing the loan, the Bank considered the business plan, submitted by BTA, which included expected future cash flows from the continuing operations of BTA. The business plan, contained management judgments in relation to the timing and the expected proceeds from the sale of existing and contingent assets of BTA, adjusted for probabilities and possible risks. The Management of the Group believes that the applicable calculation is complete and adequate.

According to the base scenario in the business plan, as at 31 December 2015, the future cash flows (excluding the repayment of the loan) exceeded the carrying value of the Loan to BTA in the financial statements of the Group by approximately KZT 991,177 million. Given the inherent uncertainty around the cash flows in the business plan, Management have analysed the underlying assumptions and formulated a pessimistic scenario, under which the probability of receiving contingent assets in relation to ongoing legal proceedings had decreased from 50% to 25% and the probability of successful completion of certain large real estate projects has been adjusted downward depending on the project. Under the pessimistic scenario, the business plan as at 31 December 2015, continues to result in the future cash flows (excluding the repayment of the loan) exceeding the carrying value of the BTA loan.

Stress testing

As discussed in the accounting policy paragraph above, during consideration of the level of provisions accrued on the loan issued to BTA, Management of the Bank conducted stress testing by changing the judgments, used in the estimation of the future cash flows contained within the business plan. Either in base scenario, or pessimistic scenario, it is expected that the future cash flows from continuing operations of BTA Bank will be enough to service and repay the loan issued to BTA in line with the contractual maturity.

As part of its obligations, Management of BTA conducted a sensitivity analysis in relation to real estate price volatility and the probability of receipt of contingent assets, which BTA included in its business plan and submitted to the Group.

Volatility of 10 percent either higher or lower in these assumptions is considered by the Group's Management to be realistic based on the current economic outlook for the foreseeable future.

If the value of the property is 10 percent higher (lower) with the retention of all other variables, the level of the cash flows would increase (decrease) by KZT 122,704 million.

If the probability of the receipt of the contingent assets (particularly ongoing legal proceedings) is 10 percent higher (lower) with the retention of all other variables, the level of the cash flows would increase (decrease) by KZT 150,998 million.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Group management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Allowance for impairment losses of loans and receivables

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

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The most significant judgment is applied in assessing impairment levels in real estate loans and construction financing. Current economic and market conditions make historical statistical loss levels less relevant in determining the inherent loss levels in the loan portfolio. Instead, management is required to use recent empirical evidence of impairment or employ analytical tools to estimate future economic value of collateral secured under loans or the expected cash generating ability of the borrowers' business. This area of judgment bears significant sensitivity to various risk factors, such as general economic growth, central government involvement, support of local authorities, trends in the housing and commercial real estate markets, and changes in the regulatory environment. The assumptions underlying this judgment are highly subjective.

The level of loan loss provisions for this loan category at the reporting date is supported by following factors:

- The economic value assessment of collateral under real estate loans. In some cases management used certain assumptions to determine the inherent value of collateral, such as land, based on highest and best use, current observable lease rates and sale prices for commercial and residential real estate. Moreover, the assessment sometimes depends on expectations that local municipal government will continue funding capital expenditure costs for infrastructure development in and around any given real estate project. In certain cases, the requirement for additional financing as well as investment is factored into determining the value.
- The Bank has formulated a work-out strategy for construction loans, which is currently being implemented, most significantly in Almaty and Astana. In many cases the approach taken by the Bank necessitates close partnership with local municipal authorities, construction subcontractors, suppliers of construction materials, and the availability of construction materials, specialized equipment and labour.
- Incomplete construction projects are more likely to result in past due construction loans. Therefore, the Bank encourages additional investments in incomplete construction projects, which in turn increase an opportunity to generate more cash flows for existing borrowers of the Bank that are involved in ancillary services to the construction sector, such as equipment leasing, construction materials, site management, labour outsourcing, transportation, security, and other services.

Fair value changes in the above factors and assumptions may result in significant adjustment to loan loss provisions and the carrying value of loans to customers. Management seeks to regularly update assumptions and the approach it has taken toward individual borrowers.

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

The impairment of a loan is identified within credit monitoring, which includes monitoring of payments of the customer and preparation of regular monitoring reports on the customer and his loans every 6 or 12 months, depending on the solvency of the customer. In addition, on a regular basis the credit managers monitor the quality of the loan, financial position and business of the customer, and observe the terms of the loan agreements. For the purpose of provisioning, an assessment of impairment losses for corporate loans is performed on an individual basis.

If there is a default on payments of principal or accrued interest for 90 days or more, as well as in the case of an event which adversely affects the creditworthiness of the borrower, the Group classifies corporate loans as non-performing and, therefore, as impaired.

The Group classifies consumer (retail) loans and small business loans as non-performing or impaired if there is a delay in payment of the principal or accrued interest for 90 days or more. For the purposes of provisioning for impairment, assessment of such loans is performed on a pool basis, at the portfolio level.

According to the Group's credit portfolio management policy, if at least one loan of a customer is recognized as impaired based on the above mentioned criteria, the total debt of such a customer is considered impaired, i.e. other performing loans of such customer are also recognized as impaired.

All loans other than those included in the non-performing or impaired categories are assessed collectively. Homogeneous and/or collective loans are not assessed for impairment on an individual basis, because there is not enough objective information on such loans for assessment of their impairment.

The Group creates an allowance for impairment losses in order to cover credit losses, including losses where the asset is not specifically identified. At least monthly, the provision for impairment losses on interest bearing assets is reviewed by the Chairman of the Board, the Head of Risk Management Department №1, the Chief Financial Officer, and the Chief Accountant. At least quarterly, the provision for impairment losses and overall credit quality is reviewed by the Board of Directors. The amount of provision is reviewed relative to the credit portfolio and current economic conditions. The amount of provision is determined by individual and portfolio-based approaches. As at 31 December 2015, 2014 and 2013, management deemed the provision for impairment losses to be appropriate and sufficient to absorb losses that are inherent to the Group's loan portfolio.

Goodwill impairment

The review of goodwill for impairment reflects management's best estimate of the future cash flows of the CGUs and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

- the future cash flows of the CGUs are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance, and reflect management's expectations of future business prospects at the time of the assessment; and
- the rates used to discount future expected cash flows are based on the costs of capital assigned to individual CGUs and the rates can have a significant effect on their valuation. The cost of capital percentage is generally derived from a Capital Asset Pricing Model, which incorporates inputs reflecting a number of financial variables, which are subject to fluctuations in external market rates and economic conditions beyond control of the Group.

Impairment testing inherently involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

Valuation of financial instruments

As described in Note 35, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 35 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Recoverability of deferred tax assets

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax to be recovered.

Transactions with entities under common control

Transactions between entities under common control is performed with the use of the predecessor values method with the use of carrying values. The Group applies this principle consistently to all similar transactions. For acquisition of entities under common control the group combines financial statement from the date of the transaction and comparative information is not restated. The difference between consideration and the acquired assets and liabilities is recognized in retained earnings.

4. APPLICATION OF NEW AND REVISED IFRS

Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these consolidated financial statements.

- Annual Improvements to IFRSs 2010-2012 Cycle;
- Annual Improvements to IFRSs 2011-2013 Cycle.

The Annual Improvements to IFRSs 2010-2012 Cycle include amendments to IFRS 3, IFRS 8, IAS 16, IAS 38, IAS 24 and basis for conclusions of IFRS 13.

The Annual Improvements to IFRSs 2011-2013 Cycle include amendments to IFRS 3, IFRS 13 and IAS 40.

The application of these amendments does not have a significant effect on the consolidated financial statements.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

New and revised IFRSs in issue but not yet effective.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 Financial Instruments²;
- IFRS 14 Regulatory Deferral Accounts¹;
- IFRS 15 Revenue from Contracts with Customers²;
- IFRS 16 Leases³;
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations¹;
- Amendments to IAS 1 – Disclosure initiative project¹;
- Amendments to IAS 27 - Equity Method in Separate Financial Statements¹;
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹;
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception¹
- Annual Improvements to IFRSs 2012-2014 Cycle¹;

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9 Financial Instruments.

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014, IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- Classification and measurement of financial assets. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- Classification and measurement of financial liabilities. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Group anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers.

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise 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 and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. Furthermore, extensive disclosures are required by IFRS 15

The management of the Group anticipates that the application of IFRS 15 in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 Leases

IFRS 16 Leases brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16 a lessee recognises a right-of-use asset and the lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, the lessee shall use their incremental borrowing rate.

As with IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The management of the Group anticipates that the application of these amendments to IFRS 16 may have a significant effect on the consolidated financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The management of the Group do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. The management of the Group anticipates that the application of these amendments to IFRS 11 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The management of the Group anticipates that the application of these amendments to IFRS 10 and IAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

There are a number of other standards, which have been issued or amended that are expected to be effective in future periods. The management of the Group is evaluating if the application of these amendments may have an effect on the consolidated financial statements.

5. NET INTEREST INCOME

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
Interest income comprises:			
Interest income on financial assets recorded at amortized cost:			
- interest income on collectively assessed impaired financial assets*	29,034	41,127	-
- interest income on impaired financial assets that have been assessed individually for impairment*	89,438	95,203	-
- interest income on financial assets that are not impaired including collective not impaired loans*	188,449	169,057	-
- interest income on homogeneous and individually assessed watch assets	-	-	163,365
- interest income on individually impaired financial assets	-	-	66,311
- interest income on unimpaired financial assets	-	-	16,066
Interest income on financial assets at fair value through profit or loss	7,276	5,561	5,180
Interest income on investments available-for-sale	5,552	2,631	1,170
Discount on customer accounts	58,304	-	-
Total interest income	378,053	313,579	252,092
Interest income on financial assets recorded at amortized cost comprises:			
Interest on loans to customers	274,776	281,679	243,497
Interest on loans and advances to banks and other financial institutions	13,414	3,605	1,790
Interest on investments held to maturity	3,848	713	455
Interest income on bonds of JSC NWF Samruk-Kazyna	14,883	19,390	-
Total interest income on financial assets recorded at amortized cost	306,921	305,387	245,742
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held-for-trading	7,276	5,561	5,180
Total interest income on financial assets at fair value through profit or loss	7,276	5,561	5,180
Interest income on investments available-for-sale	5,552	2,631	1,170
Discount on customer accounts	58,304	-	-
Total interest income	378,053	313,579	252,092
Interest expense comprises:			
Interest on financial liabilities recorded at amortized cost			
Total interest expense	190,967	159,547	110,550
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest on customer accounts	100,404	91,497	74,892
Interest on debt securities issued	47,427	26,466	20,602
Interest on loans and advances from banks and other financial institutions	25,316	22,579	3,659
Interest on other borrowed funds	7,290	9,167	1,087
Interest on subordinated debt	9,459	8,960	9,586
Preference share dividends**	1,071	878	724
Total interest expense on financial liabilities recorded at amortized cost	190,967	159,547	110,550
Net interest income before provision for impairment losses on interest bearing assets	187,086	154,032	141,542

*Starting from 2014, the collectively assessed loan portfolio includes both partly retail portfolio and partly small and medium entrepreneurship ("SME") portfolio. This amendment did not affect the total amount of interest income.

** Preference share dividends relate to obligatory dividends payable on debt component of preference shares (Note 30).

6. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans and advances to banks and other financial institutions (KZT million) (Note 16)	Loans to customers (KZT million) (Note 17)	Investments available-for sale (KZT million) (Note 18)	Total (KZT million)
31 December 2012	280	923,287	186	923,753
(Recovery of provision)/additional provision recognized	(112)	71,667	-	71,555
Write-off of assets	-	(27,949)	-	(27,949)
Foreign exchange differences	3	11,748	-	11,751
31 December 2013	171	978,753	186	979,110
(Recovery of provision)/additional provision recognized	(2,383)	76,283	139	74,039
Write-off of assets	-	(655,723)	(181)	(655,904)
Foreign exchange differences	2,212	109,262	-	111,474
Reclassified as asset held for sale	-	(299)	-	(299)
31 December 2014	-	508,276	144	508,420
Additional provision recognized	108	176,733	-	176,841
Write-off of assets	-	(152,518)	(84)	(152,602)
Foreign exchange differences	29	216,649	-	216,678
Disposal of subsidiary	(38)	(434,698)	-	(434,736)
31 December 2015	99	314,442	60	314,601

During 2015, the Bank has written off loans in the amount of KZT 152,518 million (2014: KZT 655,723 million). The majority of write-off relates to arrangements carried out by NBRK to decrease non-performing loans balances in second tier banks, and also it relates to changes introduced to the Tax Code as at 1 January 2014, which allows the write-off of loans without this being considered forgiveness of the loan for tax purposes and are therefore not subject to corporate income tax.

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Insurance provisions, gross	51,435	47,986	15,655
Reinsurance share in provision	(6,601)	(9,799)	(3,114)
	44,834	38,187	12,541

The movements in insurance provisions, allowances for impairment losses on other transactions were as follows:

	Insurance provisions, gross (KZT million)	Other assets (KZT million) (Note 23)	Total (KZT million)
31 December 2012	12,876	4,890	17,766
Additional provision recognized	2,779	2,761	5,540
Write-off of assets	-	(906)	(906)
Foreign exchange differences	-	68	68
31 December 2013	15,655	6,813	22,468
Additional provision recognized	9,997	93	10,090
Write-off of assets	-	(7,181)	(7,181)
Foreign exchange differences	-	(644)	(644)
Acquisition of BTA	22,334	24,878	47,212
Disposal of subsidiary	-	(87)	(87)
31 December 2014	47,986	23,872	71,858
Additional provision recognized	6,954	2,394	9,348
Write-off of assets	-	(3,787)	(3,787)
Disposal of subsidiary	(3,505)	(16,759)	(20,264)
Foreign exchange differences	-	625	625
31 December 2015	<u>51,435</u>	<u>6,345</u>	<u>57,780</u>

Insurance provisions, net of reinsurance, comprised:

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Annuity insurance	27,780	20,894	7,724
Life insurance	5,739	4,796	417
Civil liability for damage	3,349	3,076	2,284
Civil liability for owners of vehicles	2,448	2,370	598
Property	1,590	1,644	716
Accidents	1,345	1,568	197
Vehicles	986	1,271	176
Medical insurance	340	647	219
Other	1,257	1,921	210
	<u>44,834</u>	<u>38,187</u>	<u>12,541</u>

Other insurance provisions include provisions for insurance of private lawyers, auditors and audit organizations, air and marine transport and others.

The movements in provision for guarantees and other contingencies were as follows:

	Guarantees and other off- balance sheet contingencies (KZT million) (Note 32)
31 December 2012	2,673
Additional provision recognised	1,415
Foreign exchange differences	68
	<hr/>
31 December 2013	4,156
Recovery of provision	(4,989)
Foreign exchange differences	307
Acquisition of BTA	1,212
	<hr/>
31 December 2014	686
Additional provision recognized	5,141
Foreign exchange differences	67
	<hr/>
31 December 2015	<u><u>5,894</u></u>

The movements in provision for reinsurance share in insurance reserves were as follows:

	Reinsurance share in insurance reserves (KZT million) (Note 23)
31 December 2012	(3,322)
Change in reinsurance share in provision	208
	<hr/>
31 December 2013	(3,114)
Change in reinsurance share in provision	(6,685)
	<hr/>
31 December 2014	(9,799)
Change in reinsurance share in provision	2,437
Disposal of subsidiary	761
	<hr/>
31 December 2015	<u><u>(6,601)</u></u>

7. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise:			
Realized gain/(loss) on trading operations	1,407	(909)	45
Unrealized (loss)/gain on fair value adjustment of financial assets held for trading	(18,079)	(3,257)	800
Net gain/(loss) on operations with derivative financial instruments	73,670	(26,004)	3,898
Total net gain/(loss) on financial assets and liabilities at fair value through profit or loss	<u>56,998</u>	<u>(30,170)</u>	<u>4,743</u>

8. NET (LOSS)/GAIN ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
Dealing, net	7,179	10,736	5,923
Translation differences, net	(21,332)	(1,978)	(6,482)
Total net (loss)/gain on foreign exchange and precious metals operations	<u>(14,153)</u>	<u>8,758</u>	<u>(559)</u>

9. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
Fee and commission income:			
Plastic cards operations	17,354	17,295	10,676
Cash operations	12,818	10,403	6,704
Settlements	9,904	6,839	5,066
Documentary operations	2,210	2,186	2,043
Foreign exchange and securities operations	1,606	2,772	1,633
Encashment operations	1,013	842	545
Investment fees on administered pension funds	-	482	4,594
Other	2,655	497	274
Total fee and commission income	<u>47,560</u>	<u>41,316</u>	<u>31,535</u>
Fee and commission expense:			
Payments to the deposits and insurance payment guarantee fund	9,117	8,990	4,476
Plastic cards services	5,778	4,787	3,710
Foreign exchange and securities operations	1,494	247	290
Documentary operations	589	680	71
Insurance activity	542	195	-
Correspondent bank services	447	293	224
The NBRK computation center services	265	211	181
Other	905	1,246	235
Total fee and commission expense	<u>19,137</u>	<u>16,649</u>	<u>9,187</u>

10. OTHER INCOME

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
Income from insurance activity	9,297	5,365	5,085
Income from repurchase of own debt securities and early redemption of other obligations	1,323	130	8
Rental income	1,319	685	133
Net gain on sale of inventory	1,201	2	13
Fines and penalties received	1,097	87	16
Income from state duties written-off	1,010	-	-
Net gain/(loss) on sale of property and equipment	861	(666)	25
Income/(expenses) from revaluation and sale of the associates	393	-	-
Income from shares of Sekerbank received free of charge	374	-	-
Income from bonds received from BTA related to expiry of period on receipt of applications from creditors	361	-	-
Income from cash collection services	281	-	-
(Loss)/gain from revaluation of investment property	(306)	(746)	1,032
Net (loss)/gain from sale of non-current assets held for sale	(532)	1,266	(54)
Losses on impairment of inventory	(1,083)	-	-
Gain on sale of investment property	-	300	-
Income from recovery of impairment loss on property and equipment	-	30	7
Reimbursement of expenses on collateral	-	10	108
Impairment loss of goodwill	-	(403)	(2,405)
Gain on repayment of bonds	-	-	73
Other	1,405	2,055	425
	<u>17,001</u>	<u>8,115</u>	<u>4,466</u>

11. OPERATING EXPENSES

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
Staff costs	33,306	27,445	16,878
Legal/consulting services	10,092	7,571	200
Taxes, other than income tax	6,013	4,972	1,781
Property and equipment maintenance	4,771	3,061	2,136
Depreciation and amortization	3,830	3,624	3,112
Operating leases	3,730	3,164	2,131
Expenses on repossessed assets	2,667	3,532	302
Advertising costs and telecommunications	2,451	2,190	1,733
Security	1,517	1,286	886
Bank cards services	1,229	1,051	891
Business trip expenses	564	518	307
Fines, penalty	501	64	58
Vehicle maintenance	395	447	320
Collector services	374	261	131
Other expenses	7,106	5,705	1,873
	<u>78,546</u>	<u>64,891</u>	<u>32,739</u>

12. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate and which may differ from IFRS.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2015, 2014 and 2013 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax effect of temporary differences as at 31 December 2015, 2014 and 2013:

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Deferred income tax assets:			
Allowance for impairment losses on loans and advances to banks and customers	13,926	2,560	-
Unrealised loss on trading securities and derivatives	8,677	3,948	519
Tax losses carried forward on trading securities and derivatives	3,192	2,952	2,852
Accrued interest payable	1,198	277	3,279
Tax losses carried forward	26	-	-
Property, equipment and intangible assets, accumulated depreciation	14	-	-
Bonuses accrued	-	349	496
Provision on guarantees and letters of credit	-	2	-
Other assets	131	319	73
Total deferred income tax assets	<u>27,164</u>	<u>10,407</u>	<u>7,219</u>
Deferred income tax liabilities:			
Unrealised gain on trading securities and derivatives	(24,651)	-	(2,852)
Property, equipment, intangible assets and accrued depreciation	(2,921)	(2,533)	(2,183)
Unrealized gain on revaluation of financial instruments, recognized on cash flow hedges	(101)	(176)	(225)
Provision on guarantees and letters of credit	373	-	-
Allowance for impairment losses on loans and advances to banks and customers	-	-	(3)
Other liabilities	(1,060)	(1,676)	(226)
Total deferred income tax liabilities	<u>(28,360)</u>	<u>(4,385)</u>	<u>(5,489)</u>
Net deferred income tax (liabilities)/assets	<u>(1,196)</u>	<u>6,022</u>	<u>1,730</u>

Unrecognized deferred income tax assets as at 31 December 2015, 2014 and 2013 are as follows:

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Tax losses carried forward	415	305,204	179
Deductible temporary differences	-	-	571
	<u>415</u>	<u>305,204</u>	<u>750</u>

As at 31 December 2013, deferred tax assets had not been recognised in respect of the allowance for impairment losses and certain part of other assets because it was not probable that future taxable profit would be available against which MKB could utilise the benefits.

As at 31 December 2014, KZT 305,204 million unrecognized deferred tax assets relates to BTA.

Relationships between tax expenses and accounting profit for the years ended 31 December 2015, 2014 and 2013 are explained as follows:

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
(Loss)/Profit before income tax	(892)	30,678	62,219
Tax at the statutory tax rate	(178)	6,136	12,444
Tax effect of permanent differences:			
- tax exempt income	(22,827)	(6,960)	(5,884)
- unrecognized deferred corporate income tax assets	-	(6,046)	-
- non-deductible expense	40,548	13,719	3,067
Adjustments in respect of current income tax expense based on declarations for prior years	-	88	57
Income tax expense	<u>17,543</u>	<u>6,937</u>	<u>9,684</u>
Current income tax expense	9,900	11,107	7,214
Adjustments in respect of current income tax expense based on declarations for prior years	-	88	57
Deferred income tax expense/(benefit)	<u>7,643</u>	<u>(4,258)</u>	<u>2,413</u>
Income tax expense	<u>17,543</u>	<u>6,937</u>	<u>9,684</u>

During 2015, 2014 and 2013, tax exempted income was represented by interest income and capital gains on state and other securities listed on KASE, dividend income and interest income on finance leases, and non-deductible expenses comprising non-deductible operating expenses and provisions on finance leases.

Corporate income tax rate in the Republic of Kazakhstan was 20% during 2015, 2014 and 2013.

	2015 (KZT million)	2014 (KZT million)	2013 (KZT million)
Net deferred income tax liabilities/(assets)			
1 January	(6,022)	(1,730)	(4,220)
Deferred income tax expense/(benefit) recognized in statement of profit or loss	7,643	(4,258)	2,413
Change in hedging reserve	(74)	(49)	78
Change in investments available-for-sale reserve	(132)	(154)	(7)
Change in deferred tax liability from revaluation of property and equipment	(74)	(349)	6
Other	<u>(145)</u>	<u>518</u>	<u>-</u>
31 December	<u>1,196</u>	<u>(6,022)</u>	<u>(1,730)</u>

13. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share are calculated by dividing the net (loss)/profit for the year attributable to equity holders of the Parent by the weighted average number of participating shares outstanding during the year.

As described in Note 30, dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net (loss)/profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	Year ended 31 December 2015 (KZT million)	Year ended 31 December 2014 (KZT million)	Year ended 31 December 2013 (KZT million)
Basic and diluted (loss)/earnings per share			
Net (loss)/profit for the year attributable to equity holders of the Parent	(15,352)	21,405	52,122
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	<u>-</u>	<u>(2,291)</u>	<u>(6,482)</u>
Net (loss)/profit for the year attributable to ordinary shareholders	(15,352)	19,114	45,640
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>775,758,296</u>	<u>738,205,653</u>	<u>777,738,469</u>
(Loss)/earnings per share – basic and diluted (KZT)	<u><u>(19.79)</u></u>	<u><u>25.89</u></u>	<u><u>58.68</u></u>

The book value per share for each type of shares as at 31 December 2015, 2014 and 2013 is as follows:

Type of shares	31 December 2015			31 December 2014			31 December 2013		
	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT
Ordinary shares	796,936,282	364,138	456.92	669,527,165	406,813	607.61	777,777,907	363,958	467.95
Preference shares	123,160,124	<u>21,729</u>	176.43	122,273,402	<u>14,419</u>	117.92	122,135,445	<u>13,097</u>	107.24
		<u><u>385,867</u></u>			<u><u>421,232</u></u>			<u><u>377,055</u></u>	

The number of outstanding ordinary and preferred shares is calculated net of treasury shares.

According to amendments enacted to the KASE Listing Rules effective from 25 August 2010, listed companies are required to present book value per share (ordinary and preferred) in their financial statements. In the table above, net asset value and book value per share is calculated in accordance with the methodology in the KASE Listing Rules.

14. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Cash on hand	96,702	84,002	46,339
Balances with national (central) banks	<u>27,206</u>	<u>108,360</u>	<u>145,348</u>
	<u><u>123,908</u></u>	<u><u>192,362</u></u>	<u><u>191,687</u></u>

Cash and cash equivalents for the purposes of the consolidated statement of cash flows are comprised of the following:

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Cash and balances with national (central) banks	123,908	192,362	191,687
Loans and advances to banks with original maturities less than 3 months	212,611	100,926	115,030
REPO with banks original maturity of less than 3 months	596	64,506	10,590
Less funds deposited with the National Bank of the Republic of Kazakhstan	(65,305)	(50,568)	(40,003)
Less funds deposited with the Central Bank of Russian Federation	(2,834)	(1,373)	(2,102)
Less funds deposited with the National Bank of Tajikistan	(550)	(141)	(78)
Less funds deposited with the National Bank of the Kyrgyz Republic	-	(174)	(139)
	<u>268,426</u>	<u>305,538</u>	<u>274,985</u>

15. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Derivative financial instruments	210,486	17,669	16,584
Debt securities	100,866	112,357	99,934
Equity investments	53,925	45,901	5,337
Total financial assets at fair value through profit or loss	<u>365,277</u>	<u>175,927</u>	<u>121,855</u>
	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Derivative financial instruments	75,409	20,791	2,296
Total financial liabilities at fair value through profit or loss	<u>75,409</u>	<u>20,791</u>	<u>2,296</u>

The financial assets at fair value through profit or loss relate entirely to financial assets held for trading.

	31 December 2015		31 December 2014		31 December 2013	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:						
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.30-8.75	60,385	3.30-8.75	77,937	3.30-8.75	74,242
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	4.88-6.50	15,928	3.88-4.88	10,735	-	-
Bonds of Kazakhstani banks	4.90-11.00	10,720	5.50-13.00	4,532	7.00-9.70	707
Eurobonds of Kazakhstani companies	4.63-6.95	3,417	4.63-6.95	3,449	5.75-9.13	1,395
Eurobonds of Kazakhstani banks	6.38-9.00	3,333	7.25-9.88	1,986	7.25-9.50	1,080
Bonds of Kazakhstani companies	7.50-10.00	2,345	5.00-13.00	5,467	6.00-9.20	2,494
Bonds of Development Bank of Kazakhstan	6.00-6.50	2,194	6.00-6.50	1,209	6.50	165
Municipal bonds of the RF	13.26	1,743	12.85	1,124	8.35	1,717
Bonds of Russian banks	7.90	374	7.90-9.00	297	6.90-10.15	2,919
Bonds of Russian companies	10.75	373	8.15-10.75	3,306	4.20-13.50	7,475
Bonds of international financial organizations, foreign banks and foreign financial organizations	4.77-13.78	54	4.64-5.00	410	2.82	51
Municipal bonds of the Republic of Kazakhstan	-	-	6.20	608	-	-
Other bonds of foreign issuers	-	-	7.88	425	-	-
Treasury bills of Ministry of Finance of Canada	-	-	9.00	393	-	-
Treasury bonds of USA	-	-	8.13	228	0.25	7,689
Government bonds of countries outside the OECD	-	-	12.50	109	-	-
Eurobonds of Russian banks	-	-	6.13	75	-	-
Eurobonds of the Government of the RF	-	-	7.85	67	-	-
		<u>100,866</u>		<u>112,357</u>		<u>99,934</u>

	31 December 2015		31 December 2014		31 December 2013	
	Ownership share %	Amount (KZT million)	Ownership share %	Amount (KZT million)	Ownership share %	Amount (KZT million)
Equity investments:						
Shares of foreign banks	10.91	24,714	10.82	16,983	-	-
GDRs of Kazakhstani companies	0.00-2.14	22,634	0.00-2.17	22,552	-	26
Shares of Kazakhstani companies	0.00-3.72	4,295	0.00-3.56	5,308	0.00-3.08	5,311
Shares of foreign companies	0.00-0.57	1,978	-	731	-	-
Shares of Kazakhstani banks	0.00-0.82	304	-	327	-	-
		<u>53,925</u>		<u>45,901</u>		<u>5,337</u>

As at 31 December 2015, fair value of financial assets at fair value through profit or loss pledged under repurchase agreements were equal to KZT 27,469 million (2014: KZT 73,763 million, 2013: KZT 75,380 million) (Note 24 and 31).

	Notional value	31 December 2015		Notional value	31 December 2014		Notional value	31 December 2013	
		Fair value (KZT million)			Fair value (KZT million)			Fair value (KZT million)	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments:									
<i>Foreign exchange contracts:</i>									
Swaps	603,059	210,464	(61,578)	498,429	15,496	(12,195)	222,346	16,552	(1,619)
Forwards	105	1	-	17,323	1,160	-	3,312	25	(22)
Spot	6,175	21	(27)	3,709	2	(5)	11,423	7	(19)
Option	-	-	-	1,300	232	-	-	-	-
<i>Interest rate contracts:</i>									
Swaps	4,625	-	(408)	4,275	-	(453)	6,632	-	(636)
<i>Other:</i>									
Forward on securities	13,698	-	(13,396)	9,227	-	(7,359)	-	-	-
Spot on purchase of securities	-	-	-	-	779	(779)	-	-	-
		<u>210,486</u>	<u>(75,409)</u>	<u>17,669</u>	<u>(20,791)</u>	<u>16,584</u>	<u>(2,296)</u>		

As at 31 December 2015, the aggregate amount of unrealized gains under foreign exchange swap contracts deferred in the hedging reserve relating to the exposures amounted to KZT 507 million (2014: KZT 878 million, 2013: KZT 1,197 million). It is being recycled to profit or loss over the periods up to February 2017, in line with the previously hedged cash flows relating to these contracts.

As at 31 December 2015, the difference between the fair value of shares of Sekerbank TAS and cost of sale, according to the terms of the agreement with the JSC NWF Samruk-Kazyna, was recognized as a financial liability in the amount of KZT 13,396 million (2014: KZT 7,359 million).

On 13 March 2015, BTA Securities acquired 5,951,246 shares of Sekerbank exercising its pre-emptive rights on purchase and to maintain its ownership share of 10.82%. On 28 February 2015, as a result of the decision of the Board of Directors of Sekerbank to increase equity capital BTA Securities gratuitously received 2,705,113 shares of Sekerbank. Acquired and gratuitously received Sekerbank shares in 2015 are not included into the agreement with the JSC NWF Samruk-Kazyna, and their fair value as at 31 December 2015 amounted to KZT 1,694 million.

16. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Recorded as loans and receivables:			
Loans and advances to banks	230,862	75,313	82,134
Correspondent accounts with other banks	65,318	68,731	47,190
Loans under reverse repurchase agreements	<u>596</u>	<u>64,506</u>	<u>10,590</u>
	296,776	208,550	139,914
Less: allowance for impairment losses	<u>(99)</u>	<u>-</u>	<u>(171)</u>
	<u><u>296,677</u></u>	<u><u>208,550</u></u>	<u><u>139,743</u></u>

Movements in allowances for impairment losses on loans and advances to banks and other financial institutions for the years ended 31 December 2015, 2014 and 2013 are disclosed in Note 6.

As at 31 December 2015, the Group had no loans and advances to banks and other financial institutions, which individually exceeded 10% of the Group's equity (2014: KZT Nil, 2013: KZT Nil).

The fair value of collateral and carrying value of loans under reverse repurchase agreements as at 31 December 2015, 2014 and 2013 comprised:

	31 December 2015 (KZT million)		31 December 2014 (KZT million)		31 December 2013 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of the Ministry of Finance of the Republic of Kazakhstan	603	596	64,220	60,136	9,185	8,597
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	4,655	4,370	-	-
Bonds of the Russian banks	-	-	-	-	1,077	957
Bonds of the Russian companies	-	-	-	-	624	562
Bonds of the Ministry of Finance of the RF	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522</u>	<u>474</u>
	<u><u>603</u></u>	<u><u>596</u></u>	<u><u>68,875</u></u>	<u><u>64,506</u></u>	<u><u>11,408</u></u>	<u><u>10,590</u></u>

The maturity of reverse repo agreements that were effective, as at 31 December 2015, was in January 2016 (2014: in January 2015, 2013: in January 2014).

As at 31 December 2015, reverse repo agreements were concluded through KASE. The Group believes that counterparties of these agreements are banks and other financial institutions.

In addition, as at 31 December 2015, the Group maintained deposits of KZT 2,652 million included in loans and advances to banks as collateral for credit cards operations (2014: KZT 1,526 million, 2013: KZT 119 million).

17. LOANS TO CUSTOMERS

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Recorded as loans and receivables:			
Originated loans	4,140,641	2,624,593	2,872,468
Net investments in finance lease	<u>3,537</u>	<u>5,831</u>	<u>7,278</u>
	4,144,178	2,630,424	2,879,746
Less: allowance for impairment losses	<u>(314,442)</u>	<u>(508,276)</u>	<u>(978,753)</u>
	<u><u>3,829,736</u></u>	<u><u>2,122,148</u></u>	<u><u>1,900,993</u></u>

As at 31 December 2015, the amount of loans before allowance for impairment losses includes loans acquired from BTA under the simultaneous transfer of assets and liabilities in the amount of KZT 568,879 million. Those loans are presented in the table above net-off provisions. The amount of provisions that were netted-off amounted to KZT 308,249 million. Had the provisions not been netted off, the amount of loans before allowance for impairment losses as at 31 December 2015 would be equal to KZT 4,448,890 million.

Movement in allowances for impairment losses on loans to customers for the years ended 31 December 2015, 2014 and 2013 are disclosed in Note 6.

As at 31 December 2015, the Bank has its own bonds and Eurobonds issued previously by subsidiary Kazkommerts Finance II B.V with a fair value of KZT 1 million (2014: 1 million, 2013: KZT 1 million) pledged as collateral for certain loans.

On 22 June 2015, the Board of Directors of the Bank has made a decision to open a credit line to BTA under (i) the Agreement on simultaneous transfer of assets and liabilities between the Bank and BTA; (ii) the Agreement on transfer of liabilities between JSC NWF Samruk-Kazyna, KKB and BTA by signing respective credit documentation (in KZT and in USD); (iii) the Agreement on transfer of debt as at 14 November 2014 between the Bank and BTA.

The Bank and BTA have signed an Agreement on opening of a credit line, under which the Bank has opened a credit line to BTA with a limit of KZT 630,000 million and USD 5,600 million with maturity on 30 June 2024 and an interest rate of 9% for loan denominated in KZT and 8% for loan denominated in USD. BTA shall make quarterly repayments of principal and interest in fixed amounts, stated in the Agreement, with the remaining debt to be repaid at maturity.

As at 31 December 2015, the carrying value of BTA loans under this credit line is KZT 2,277,911 million. This amount is included in the line “Investments and finance” in the classification of the loan portfolio by sector.

	31 December 2015	31 December 2014	31 December 2013
	(KZT million)	(KZT million)	(KZT million)
Analysis by sector:			
Investments and finance	2,389,208	54,266	43,382
Individuals	353,717	411,086	270,550
Housing construction	203,720	503,710	513,668
Real estate	202,725	177,548	127,343
Wholesale and retail trade	140,148	161,015	120,924
Industrial and other construction	85,588	87,224	40,599
Hospitality business	84,890	154,458	135,565
Commercial real estate construction	58,450	54,838	298,337
Energy	58,273	76,011	40,325
Mining and metallurgy	44,282	29,855	11,261
Transport and communication	41,345	53,771	40,660
Food industry	31,233	18,690	12,562
Machinery construction	22,423	9,589	3,481
Agriculture	19,049	27,959	8,936
Production of construction materials	8,457	6,928	17,885
Medicine	5,864	6,207	7,835
Production of other non-metal materials	2,052	130,660	112,971
Other	78,312	158,333	94,709
	<u>3,829,736</u>	<u>2,122,148</u>	<u>1,900,993</u>

During the years ended 31 December 2015, 2014 and 2013, the Group received non-financial assets by taking possession of collateral it held as security. As at 31 December 2015, such assets in the amount of KZT 44,901 million (2014: KZT 411,346 million, 2013: KZT 83,856 million) are included in the assets classified as held for sale line of the consolidated statement of financial position. These assets are represented mostly by real estate the majority of which will be realized through auctions. Additionally, the balance of repossessed collateral, as at 31 December 2015, 2014 and 2013, includes construction in progress. As at 31 December 2015, such construction in progress in the amount of KZT 8,164 million (2014: KZT 8,971 million, 2013: KZT 14,687 million) are included in the assets classified as held for sale line of the consolidated statement of financial position.

Loans to individuals comprise the following products:

	31 December 2015	31 December 2014	31 December 2013
	(KZT million)	(KZT million)	(KZT million)
Consumer loans	198,553	230,297	156,257
Mortgage loans	150,916	174,961	109,271
Car loans	1,915	2,234	1,994
Business loans	968	2,005	841
Other	1,365	1,589	2,187
	<u>353,717</u>	<u>411,086</u>	<u>270,550</u>

As at 31 December 2015, the Group granted loans to the borrowers, which individually exceeded 10% of the Group’s equity, in the total amount of KZT 2,447,520 million (2014: KZT 609,161 million, 2013: KZT 827,114 million).

As at 31 December 2015, a significant part of loans 92.59% (2014: 86.94%, 2013: 90.42%) of the total portfolio is granted to companies operating in the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

The components of net investment in finance lease as at 31 December 2015, 2014 and 2013 are as follows:

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Minimum lease payments	3,817	6,498	8,313
Less: unearned finance income	<u>(280)</u>	<u>(667)</u>	<u>(1,035)</u>
Net investment in finance lease	<u>3,537</u>	<u>5,831</u>	<u>7,278</u>
Not later than one year	2,184	1,867	2,230
From one year to five years	1,353	3,954	2,876
More than five years	<u>-</u>	<u>10</u>	<u>2,172</u>
Net investment in finance lease	<u>3,537</u>	<u>5,831</u>	<u>7,278</u>

The value of future minimum lease payments receivable from the customer under a finance lease as at 31 December 2015, 2014 and 2013 comprised:

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Not later than one year	2,326	2,145	2,670
From one year to five years	1,491	4,342	3,462
More than five years	<u>-</u>	<u>11</u>	<u>2,181</u>
Total value of future minimum lease payments	3,817	6,498	8,313
Less: unearned finance income	<u>(280)</u>	<u>(667)</u>	<u>(1,035)</u>
Present value of minimum lease payments	<u>3,537</u>	<u>5,831</u>	<u>7,278</u>

18. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Debt securities	33,143	91,569	19,756
Equity securities	<u>1,401</u>	<u>3,037</u>	<u>1,493</u>
	<u>34,544</u>	<u>94,606</u>	<u>21,249</u>

	31 December 2015		31 December 2014		31 December 2013	
	Nominal	Amount	Nominal	Amount	Nominal	Amount
	interest rate	(KZT million)	interest rate	(KZT million)	interest rate	(KZT million)
	%		%		%	
Debt securities:						
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	4.88	8,333	3.80-4.88	10,418	-	-
Bonds of Kazakhstani companies	3.91-13.00	7,277	0.00-15.00	10,715	0.00-9.13	6,562
Bonds of Kazakhstani banks	4.80-11.90	4,946	5.70-13.00	11,164	0.00-9.25	2,383
Bonds of Russian companies	7.90-8.70	3,810	7.90-9.00	3,507	7.65-9.00	5,675
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.20-8.75	2,330	3.20-8.75	9,353	3.20-7.00	2,196
Eurobonds of Kazakhstani banks	7.25-7.30	2,067	7.25-9.88	1,460	-	-
Bonds of Russian banks	8.10-9.55	1,730	7.65-10.80	2,955	7.65-8.55	2,395
Treasury bonds of USA	8.13	1,531	8.13	857	-	-
Eurobonds of Kazakhstani companies	6.95-7.00	1,119	6.95-9.13	871	-	-
Bonds of international financial institutions, foreign banks and foreign financial institutions	-	-	0.00-12.54	37,106	-	-
Other bonds of foreign issuers	-	-	5.75-11.75	1,841	-	-
Municipal bonds of the Republic of Kazakhstan	-	-	6.20	869	-	-
Government bonds of non-OECD countries	-	-	12.50	344	-	-
Eurobonds of Government of RF	-	-	7.85	107	-	-
Bonds of Development Bank of Kazakhstan	-	-	6.00-6.50	2	-	-
Eurobonds of the Ministry of Finance of the RF	-	-	-	-	-	469
Eurobonds of Eurasian Development Bank	-	-	-	-	4.77	76
		<u>33,143</u>		<u>91,569</u>		<u>19,756</u>

As at 31 December 2015, impairment of some debt securities, available-for-sale, was in the amount of KZT 60 million (2014: KZT 144 million, 2013: 186 million). Movements in those impairment for the years ended 31 December 2015, 2014 and 2013 are disclosed in Note 6.

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Equity securities:			
Shares of Kazakhstani companies	717	1,609	561
ADR of Kazakhstani companies	632	767	930
Shares of Kazakhstani banks	49	92	2
GDR of Kazakhstani banks	3	94	-
GDR of Kazakhstani companies	-	302	-
Shares of foreign companies	-	173	-
	<u>1,401</u>	<u>3,037</u>	<u>1,493</u>

As at 31 December 2015, fair value of investments available-for-sale pledged under repurchase agreements were equal to KZT Nil (2014: KZT 4,095 million, 2013: KZT 6,440 million) (Notes 24 and 31).

19. INVESTMENTS HELD TO MATURITY

	31 December 2015		31 December 2014		31 December 2013	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:						
Bonds of JSC NWF						
Samruk-Kazyna	6.00-6.50	182,467	6.50	201	6.50	202
Bonds of the Ministry of Finance of the Republic of Kazakhstan	4.20-12.75	13,264	4.20-8.07	8,328	4.20-4.48	1,414
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	4.88	8,235	4.88	4,408	-	-
Bonds of Kazakhstani companies	0.00-12.50	2,851	0.00-9.00	2,200	6.00-11.75	2,335
Eurobonds of Kazakhstani banks	7.25-9.00	1,135	7.25	615	-	-
Bonds of Kazakhstani banks	6.25-13.00	1,127	7.00-13.00	752	7.00-13.00	2,060
Bonds of Development Bank of Kazakhstan	6.00-6.50	502	-	-	-	-
Eurobonds of Kazakhstani companies	7.75	202	5.75	1,405	-	-
Bonds of international financial institutions and foreign banks	13.78	153	8,74	155	2.82	152
Eurobonds of Russian banks	-	-	6.13	376	-	-
Bonds of Russian banks	-	-	-	-	7.88-8.70	340
		<u>209,936</u>		<u>18,440</u>		<u>6,503</u>

As at 31 December 2015, the amortized cost of investments held to maturity pledged under repo agreements was KZT 1,163 million (2014: KZT 6,118 million, 2013: KZT Nil) (Notes 24 and 31).

20. INVESTMENT PROPERTY

	2015 (KZT million)	2014 (KZT million)	2013 (KZT million)
As at 1 January	60,953	30,840	1,462
Acquisitions	641	9,056	1,011
Increase due to capitalization of costs	698	22,407	2,164
Additions due to business combination	-	278	-
Transferred from assets classified as held for sale	185,930	692	35,244
Transferred from inventory	-	974	-
Transferred from property	1,080	570	-
Disposal	(190,385)	(445)	-
Investment property reclassified to assets held for sale	-	(2,467)	(1,937)
Investment property reclassified as inventory	(50,112)	-	(8,009)
(Loss)/gain on property revaluation	(306)	(614)	1,032
Foreign exchange differences	210	(338)	(127)
As at 31 December	<u>8,709</u>	<u>60,953</u>	<u>30,840</u>

As at 31 December 2015, 2014 and 2013, there was no investment property pledged as collateral for liabilities.

Included into operating lease income is investment property rental income for the year ended 31 December 2015 amounted to KZT 158 million (2014: KZT 290 million, 2013: KZT Nil).

Operating expenses arising from the investment property that generated rental income during the year ended 31 December 2015 amounted to KZT 23 million (2014: KZT 57 million, 2013: KZT 1 million). Operating expenses arising from the investment property that did not generate rental income during the year ended 31 December 2015 amounted to KZT 2 million (2014: KZT 23,726 million, 2013: KZT 28 million).

The fair value of the Group's investment property, as at 31 December 2015, 2014 and 2013 was determined by independent appraisers. The following methods were used for the estimation of its fair value: income approach, cost based method and comparative approach. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015, 2014 and 2013 are as follows:

	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Fair value as at 31 December 2015 (KZT million)
Investment property at fair value:				
Land	-	86	-	86
Real estate	-	344	8,279	8,623
Total	<u>-</u>	<u>430</u>	<u>8,279</u>	<u>8,709</u>

	Level 1	Level 2	Level 3	Fair value as at 31 December 2014
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Investment property at fair value:				
Land	-	103	-	103
Real estate	-	660	60,190	60,850
Total	-	763	60,190	60,953

	Level 1	Level 2	Level 3	Fair value as at 31 December 2013
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Investment property at fair value:				
Land	-	2,900	-	2,900
Real estate	-	589	27,351	27,940
Total	-	3,489	27,351	30,840

As at 31 December 2015, investment property under construction amounted to KZT 6,072 million (2014: KZT 55,663 million, 2013: KZT 24,678 million).

During the year ended 31 December 2015, the Group made non-cash transfers from investment property to other assets in the amount of KZT 50,112 million. During the year ended 31 December 2014, the Group made non-cash transfers from investment property to assets classified as held for sale in the amount of KZT 2,467 million. During the year ended 31 December 2013, the Group made non-cash transfers from investment property to assets classified as held for sale in the amount of KZT 1,937 million. During the year ended 31 December 2013, the Group made non-cash transfers from investment property to other assets in the amount of KZT 8,009 million.

21. ASSETS CLASSIFIED AS HELD FOR SALE

During the years ended 31 December 2015, 2014 and 2013, the Group received non-current assets by taking possession of collateral it held as security as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less cost to dispose or the carrying value, as the appropriate level of management has committed to a plan to sell the assets and an active program to locate a buyer and complete the plan has been initiated. The types of assets recognized were land, buildings and constructions. The majority of these assets are located in Almaty and Astana. It was intended that the fair value of these assets would be recovered principally through a sale transaction within one year from the date of classification.

Assets classified as held for sale are as follows:

	31 December 2015	31 December 2014	31 December 2013
	(KZT million)	(KZT million)	(KZT million)
Non-current assets held for sale:			
Real estate	24,813	16,915	25,685
Land	16,789	392,624	57,530
Construction in progress*	8,164	8,971	14,687
Other assets	3,299	1,807	641
Disposal group:			
Assets of CJSC BTA Bank (Belarus)	-	13,907	-
Total assets classified as held for sale	53,065	434,224	98,543

*Construction in progress is accounted for at historical cost.

The fair value of the Group's non-current assets held for sale, as at 31 December 2015, 2014 and 2013, was determined by independent appraisers. The following methods were used for the estimation of its fair value: income approach, cost based method and comparative approach. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

CJSC BTA Bank (Belarus) was accounted for at carrying value as it was lower than fair value less costs to sell. As at 31 December 2014, liabilities classified as held for sale are presented by liabilities of CJSC BTA Bank (Belarus).

Details of the Group's non-current assets held for sale and information about the fair value hierarchy as at 31 December 2015, 2014 and 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 2015 (KZT million)
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Non-current assets held for sale at fair value:				
Real estate	-	-	24,813	24,813
Land	-	-	16,789	16,789
Other assets	-	-	3,299	3,299
Total	-	-	44,901	44,901
	Level 1	Level 2	Level 3	Fair value as at 31 December 2014 (KZT million)
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Non-current assets held for sale at fair value:				
Land	-	-	392,624	392,624
Real estate	-	-	16,915	16,915
Other assets	-	-	1,807	1,807
Total	-	-	411,346	411,346
	Level 1	Level 2	Level 3	Fair value as at 31 December 2013 (KZT million)
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Non-current assets held for sale at fair value:				
Land	-	-	57,530	57,530
Real estate	-	-	25,685	25,685
Other assets	-	-	641	641
Total	-	-	83,856	83,856

The impact on the statement of profit or loss from non-current assets held for sale is disclosed in Note 10. The non-current assets are included in the retail banking and corporate banking segments in Note 34.

During the year ended 31 December 2015, the Group made non-cash transfers from assets classified as held for sale to investment property in the amount of KZT 185,930 million and to the other assets in the amount of KZT 340,405 million. During the year ended 31 December 2014, the Group made non-cash transfers from assets classified as held for sale to investment property in the amount of KZT 692 million. During the year ended 31 December 2013, the Group made non-cash transfers from assets classified as held for sale to investment property in the amount of KZT 35,244 million.

22. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate (KZT million)	Furniture and equipment (KZT million)	Intangible assets (KZT million)	Construction in progress (KZT million)	Other (KZT million)	Total (KZT million)
At primary/revalued cost:						
31 December 2012	24,293	20,459	4,547	59	1,178	50,536
Additions	150	1,715	1,320	12	60	3,257
Transfers	25	-	-	(25)	-	-
Revaluation	203	-	-	-	-	203
Disposals	(1,011)	(925)	(1,119)	(19)	(118)	(3,192)
Foreign exchange differences	(35)	(60)	(24)	-	(54)	(173)
31 December 2013	23,625	21,189	4,724	27	1,066	50,631
Additions	3,418	3,037	449	46	13	6,963
Revaluation	3,229	-	-	-	-	3,229
Disposals	(632)	(1,682)	(555)	(72)	(595)	(3,536)
Foreign exchange differences	(401)	(295)	7	-	(94)	(783)
Additions as a result of business combination	8,386	18,389	3,388	1,377	100	31,640
Disposals on discontinued operations	-	-	(25)	-	-	(25)
Transfer (to)/from other assets (including transfer (to)/from inventory)	(570)	9	(8)	101	(10)	(478)
31 December 2014	37,055	40,647	7,980	1,479	480	87,641
Additions	5,827	4,106	1,264	36	39	11,272
Revaluation	970	-	-	-	-	970
Transferred	(1,080)	-	-	(710)	-	(1,790)
Disposals	(5,396)	(11,121)	(584)	(187)	(2)	(17,290)
Foreign exchange differences	202	329	35	-	103	669
Additions as a result of business combination	-	-	75	-	-	75
Disposals of subsidiaries	(10,622)	(6,825)	(2,393)	(490)	(100)	(20,430)
Transfer to other assets (including transfer to inventory)	-	-	-	-	(3)	(3)
Disposal at sale of the subsidiary	-	(174)	(80)	-	(44)	(298)
31 December 2015	26,956	26,962	6,297	128	473	60,816
Accumulated depreciation:						
31 December 2012	849	13,322	3,184	-	661	18,016
Charge for the year	307	2,155	495	-	155	3,112
Disposals	(985)	(890)	(1,086)	-	(117)	(3,078)
Foreign exchange differences	-	(53)	(23)	-	(31)	(107)
31 December 2013	171	14,534	2,570	-	668	17,943
Charge for the year	458	2,454	605	-	107	3,624
Disposals	(334)	(1,315)	(526)	-	(595)	(2,770)
Foreign exchange differences	14	(249)	5	-	(20)	(250)
Additions as a result of business combination	1,624	16,916	2,242	-	90	20,872
Disposals on discontinued operations	-	-	(12)	-	-	(12)
Transfer from/(to) other assets (including transfer from/(to) inventory)	-	2	-	-	(2)	-
31 December 2014	1,933	32,342	4,884	-	248	39,407

	Buildings and other real estate (KZT million)	Furniture and equipment (KZT million)	Intangible assets (KZT million)	Construction in progress (KZT million)	Other (KZT million)	Total (KZT million)
Charge for the year	541	2,586	653	-	49	3,829
Disposals	(280)	(10,750)	(247)	-	(2)	(11,279)
Transferred	(30)	-	-	-	-	(30)
Foreign exchange differences	6	263	14	-	36	319
Additions as a result of business combination	-	-	23	-	-	23
Disposals of subsidiaries	(1,930)	(6,632)	(1,819)	-	(93)	(10,474)
Disposal at sale of the subsidiary	(10)	(125)	(65)	-	(37)	(237)
31 December 2015	<u>230</u>	<u>17,684</u>	<u>3,443</u>	<u>-</u>	<u>201</u>	<u>21,558</u>
Net book value:						
31 December 2015	<u>26,726</u>	<u>9,278</u>	<u>2,854</u>	<u>128</u>	<u>272</u>	<u>39,258</u>
31 December 2014	<u>35,122</u>	<u>8,305</u>	<u>3,096</u>	<u>1,479</u>	<u>232</u>	<u>48,234</u>
31 December 2013	<u>23,454</u>	<u>6,655</u>	<u>2,154</u>	<u>27</u>	<u>398</u>	<u>32,688</u>

As at 31 December 2015, property, equipment and intangible assets of the Group included fully depreciated assets on initial cost amounting to KZT 10,728 million (2014: KZT 9,355 million, 2013: KZT 8,752 million), of which KZT 8,944 million pertain to the Bank (2014: KZT 8,607 million, 2013: KZT 6,632 million).

Buildings and other real estate are revalued on a regular cyclical basis, with the last valuation being conducted on 31 December 2015 (2014: 25 December 2014, 2013: 27 August 2013). The valuation was conducted by an independent appraisal company and for determining of the final value on these dates, the observable prices in an active market for the properties were used. These prices are obtained through publications and current market data, and are adjusted based on characteristics of the valued property.

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2015, 2014 and 2013 are as follows:

	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Fair value as at 31 December 2015 (KZT million)
Buildings in following region:				
- Kazakhstan	-	-	26,327	26,327
- Russia	-	-	600	600
Total	<u>-</u>	<u>-</u>	<u>26,927</u>	<u>26,927</u>
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Fair value as at 31 December 2014 (KZT million)
Buildings in following region:				
- Kazakhstan	-	1,151	33,616	34,767
- Russia	-	-	429	429
Total	<u>-</u>	<u>1,151</u>	<u>34,045</u>	<u>35,196</u>
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Fair value as at 31 December 2013 (KZT million)
Buildings in following region:				
- Kazakhstan	-	-	23,008	23,008
- Russia	-	-	617	617
Total	<u>-</u>	<u>-</u>	<u>23,625</u>	<u>23,625</u>

There were no transfers between Levels 1, 2 and 3 during the year.

The carrying value of the buildings and other real estate, as at 31 December 2015, amounted to KZT 26,726 million (2014: KZT 35,122 million, 2013: KZT 23,454 million). If the buildings were accounted for at historical cost restated according to inflation indices less accumulated depreciation and impairment losses, their carrying value, as at 31 December 2015, would be KZT 18,614 million (2014: KZT 20,336 million, 2013: KZT 14,277 million).

Intangible assets include software, patents and licenses.

23. OTHER ASSETS

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Other financial assets:			
Receivables on other transactions	12,585	22,211	9,063
Accounts receivable from insurance activity	5,796	4,232	1,901
Accrued commission	2,478	2,207	1,142
Payments for acquired property	2,474	45	-
Commissions receivable	1,212	11,111	296
	<u>24,545</u>	<u>39,806</u>	<u>12,402</u>
Less: allowance for impairment losses	(6,337)	(23,862)	(6,813)
Total other financial assets	<u>18,208</u>	<u>15,944</u>	<u>5,589</u>
Other non-financial assets:			
Inventory	60,710	64,509	14,079
Income tax assets	11,311	3,319	204
Resinsurance share in insurance reserves	6,601	9,799	3,114
Tax settlements, other than income tax	4,311	7,827	10,476
Prepaid expenses	1,020	113,270	4,508
	<u>83,953</u>	<u>198,724</u>	<u>32,381</u>
Less: allowance for impairment losses	(8)	(10)	-
Total other non-financial assets	<u>83,945</u>	<u>198,714</u>	<u>32,381</u>
	<u>102,153</u>	<u>214,658</u>	<u>37,970</u>

Movement in allowances for impairment losses for the years ended 31 December 2015, 2014 and 2013 are disclosed in Note 6.

During the year ended 31 December 2014, the Group made non-cash transfers from other assets to investment property in the amount of KZT 974 million.

24. LOANS AND ADVANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Recorded at amortized cost:			
Correspondent accounts of other banks	19,477	5,485	3,759
Correspondent accounts of organizations that serve certain types of banking operations	1,147	589	558
Loans from banks and other financial institutions	75,758	16,915	18,661
Deposits with banks	1	70	1
Loans under repurchase agreements	26,680	659,797	74,976
	<u>123,063</u>	<u>682,856</u>	<u>97,955</u>

As at 31 December 2015, loans under repurchase agreements included in loans and advances from banks and other financial institutions amounted to KZT 26,680 million (2014: KZT 659,797 million, 2013: KZT 74,976 million).

As at 31 December 2015, loans from banks and other financial institutions included long-term loans from JSC Development Bank of Kazakhstan in the amount of KZT 16,000 million, for the period of 20 years (2014: KZT 8,000 million). In accordance with the terms of financing, the Bank has to lend the funds, during the year and a half after the origination, to large-scale businesses in the manufacturing sector for up to 10 years at 6% interest rate.

The fair value of collateral held and carrying value of loans under repurchase agreements as at 31 December 2015, 2014 and 2013 are presented as follows:

	31 December 2015 (KZT million)		31 December 2014 (KZT million)		31 December 2013 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of the Ministry of Finance of the Republic of Kazakhstan	28,561	26,680	72,576	67,975	65,113	60,342
Bonds of JSC NWF Samruk-Kazyna	-	-	627,741	581,035	-	-
Eurobonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	4,278	4,014	-	-
Bonds of foreign companies	-	-	3,518	3,265	10,579	9,142
Bonds of foreign banks	-	-	2,536	2,415	3,967	3,410
Municipal bonds of the RF	-	-	1,110	1,093	1,704	1,625
Bonds of Ministry of Finance of the RF	-	-	-	-	457	457
	<u>28,561</u>	<u>26,680</u>	<u>711,759</u>	<u>659,797</u>	<u>81,820</u>	<u>74,976</u>

Bonds of JSC NWF Samruk-Kazyna, included in BTA assets and repaid in 2015, represented non-trading debt securities purchased by BTA in 2009 at nominal value of KZT 645,000 million.

The maturity of repurchase agreements that were effective, as at 31 December 2015, was in January 2016 (2014: in January 2015, 2013: in January 2014).

25. CUSTOMER ACCOUNTS

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Recorded at amortized cost:			
Time deposits	2,617,235	1,689,999	1,247,918
Demand deposits	703,619	571,306	431,626
Accounts in precious metals	3,880	2,835	2,491
	<u>3,324,734</u>	<u>2,264,140</u>	<u>1,682,035</u>

On 11 June 2015, the Bank has signed a deposit agreement with JSC Problematic Loans Fund for the purpose of involvement of the funds for KZT 38,100 million, with an annual nominal interest rate of 2.99% for 20 years under the state program of refinancing mortgages. The payment of the principal is to be made at maturity, interest payments - annually.

On 23 June 2015, the Bank signed a deposit agreement with the JSC Problematic Loans Fund for the placement of a deposit in the amount of KZT 250,000 million, with an annual nominal interest rate of 5.5% for 10 years, with the payment of principal made at maturity, interest payments - annually. As the Bank has fulfilled all the terms of this agreement, funds are available for use by the Bank, without any restrictions. According to the deposit agreement, a portion or the entire amount of the deposit is subject to withdrawal only upon agreement with the Bank. As the rate on the deposit is lower than the rates on financial instruments with similar terms and conditions offered by the second-tier banks in Kazakhstan, the Bank recognized a discount of KZT 58,228 million as at the date of deposit placement, which is recognized in interest income in the line item "Discount on customer accounts". As at 31 December 2015, the book value of the deposit amounted to KZT 193,774 million.

As at 31 December 2015, customer accounts in the amount of KZT 90,598 million (2014: KZT 15,754 million, 2013: KZT 18,507 million) were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities, as disclosed in Note 32.

As at 31 December 2015, the total amount of funds deposited under the stabilization program of the Government of the Republic of Kazakhstan by means of deposits from JSC NWF Samruk-Kazyna, JSC National Managing Holding Baiterek and JSC Problematic Loans Fund, excluding accrued interest, amounted to KZT 406,363 million (2014: KZT 95,332 million, 2013: KZT 101,062 million), including:

- KZT 85,157 million for refinancing mortgage loans (initially granted and deposited in the Bank KZT 24,000 million);
- KZT 64,066 million for completion of construction projects in Almaty and Astana (initially granted and deposited in the Bank KZT 111,998 million);
- KZT 7,140 million for financing private entrepreneurships in the manufacturing sector; and
- KZT 250,000 million for financing the improvement of loan portfolio quality.

As at 31 December 2015, customer accounts of KZT 1,422,092 million or 42.77% (2014: KZT 932,335 million or 41.18%, 2013: KZT 795,308 million or 47.28%), were due to 10 customers, which represents a significant concentration. The Management of the Group believes that in the event of withdrawal of funds, the Group would be given sufficient notice as to realize its liquid assets to enable repayment.

	31 December 2015	31 December 2014	31 December 2013
	(KZT million)	(KZT million)	(KZT million)
Analysis by sector:			
Individuals	1,470,221	1,005,280	683,729
Government related entities	428,250	207,465	65,411
Public organizations and unions	402,603	216,943	162,672
Chemical and petrochemical industry	215,145	293,540	311,554
Investments and finance	179,595	108,519	53,322
Construction	121,211	56,343	42,645
Transport and communication	93,373	50,543	66,392
Education	90,226	55,512	50,283
Wholesale and retail trade	83,517	63,944	49,216
Services	75,391	56,950	42,170
Mining and metallurgy	55,801	21,179	14,128
Distribution of electricity, gas and water	17,408	21,010	50,562
Agriculture	11,972	9,917	46,811
Other	80,021	96,995	43,140
	<u>3,324,734</u>	<u>2,264,140</u>	<u>1,682,035</u>

26. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Recorded at amortized cost:						
Eurobonds:						
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.88	-	-	29,583
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	-	49,584	42,113
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	97,646	52,366	44,641
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.88	138,384	82,553	78,986
Issued in May 2011, at the price 99.353%	USD	May 2018	8.50	101,039	53,561	45,940
				<u>337,069</u>	<u>238,064</u>	<u>241,263</u>
(Less)/including:						
Discount on Eurobonds issued				(1,128)	(1,172)	(1,505)
Accrued interest on Eurobonds issued				<u>10,165</u>	<u>6,576</u>	<u>6,664</u>
Total issued Eurobonds				346,106	243,468	246,422
Debt securities issued by JSC Kazkommertsbank at the price 99.95%						
	KZT	January 2022	8.75	101,372	-	-
Debt securities issued by JSC Kazkommertsbank at the price 99.97%						
	KZT	November 2019	8.40	60,509	60,514	-
Debt securities issued by JSC Kazkommertsbank at the price 102.21%-104.48%						
	KZT	April 2016	9.00	2,382	2,403	2,423
Issued promissory notes of JSC CB Moskommertsbank						
	USD, EUR, RUR	March 2017	4.50-12.00	518	1,185	865
Issued bonds of Moscow Stars B.V. at the price of 99.00%						
	USD	April 2021	5.56	4,231	3,310	3,601
Debt securities issued of JSC BTA Bank at the price 100.00%						
	KZT	February 2016	4.00-8.50	-	3,878	-
Debt securities previously issued by JSC BTA Bank at the price 100.00%						
	USD	December 2022	5.50	<u>180,365</u>	<u>102,162</u>	<u>-</u>
				<u>695,483</u>	<u>416,920</u>	<u>253,311</u>

During 2015, the Group repurchased debt securities issued in the total amount of KZT 3,287 million (2014: KZT 737 million, 2013: KZT 5,224 million) with maturity dates in 2022.

During 2015, the Group sold debt securities issued in the total amount of KZT 3,539 million (2014: KZT 120 million, 2013: KZT 1,056 million) with maturity dates in 2022.

On 12 February 2015, the Bank had placed bonds through specialized trades at KASE, in accordance with legislation of the Republic of Kazakhstan, with maturity in January 2022, the total nominal value of KZT 19,880 million, with annual coupon rate of 8.75% per annum for the price (net of commissions paid at the placement) 99.95% of the nominal value.

On 5 March 2015, the Bank additionally placed bonds through specialized trades at KASE of the same issue with a total nominal value of KZT 29,646 million, with annual coupon rate of 8.75% per annum for the price (net of commissions paid at placement) 99.93% of the nominal value.

On 21 April 2015, the Bank additionally placed bonds through specialized trades at KASE of the same issue with a total nominal value of KZT 39,651 million, with annual coupon rate of 8.75% per annum for the price (net of commissions paid at placement) 99.90% of the nominal value.

On 11 June 2015, the Bank additionally placed bonds through specialized trades at KASE of the same issue with a total nominal value of KZT 5,000 million, with annual coupon rate of 8.75% per annum for the price (net of commissions paid at placement) 99.88% of the nominal value.

On 3 November 2015, the Bank has repaid Eurobonds issued in November 2005 for the original amount of USD 500 million. The Eurobond was repaid in full on the date of its maturity from the Bank's own funds.

27. OTHER BORROWED FUNDS

	Currency	Maturity	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Loans from JSC					
Entrepreneurship					
Development Fund Damu	KZT	December 2035	65,714	44,125	14,640
Loans from JSC NWF					
Samruk-Kazyna	KZT	December 2024	35,881	170,523	-
Loans from JSC Kazakhstan					
Mortgage Company	KZT	March 2029	-	2,045	-
Loans from Private Export					
Funding Corporation	USD	April 2017	-	-	797
			<u>101,595</u>	<u>216,693</u>	<u>15,437</u>

As at 31 December 2015, loans from JSC Entrepreneurship Development Fund Damu (“Damu”) included a long-term loan in the amount of KZT 32,000 million at 2.0% interest rate maturing in 2035, this loan is subject to early repayment (including long-term loan in the amount of KZT 26,000 million at 2.0% interest rate with maturity in 2034 as at 31 December 2014). The loan was received in accordance with the Government program (“the Program”) to finance SME operating in certain industries. According to the loan agreement between Damu and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

On 14 October 2015, the Bank received a loan from Damu in the amount of KZT 22,671 million to finance SME. Funds are received for 5-year term within the investment program of Asian Development Bank (third tranche). The term of primary credit line disbursement is until 1 September 2016.

The Group is obligated to comply with covenants in relation to other borrowed funds disclosed above. These covenants include stipulated ratios and various other financial performance ratios. The Group has not breached any of these covenants as at 31 December 2015, 2014 and 2013.

28. OTHER LIABILITIES

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Other financial liabilities:			
Payables to employees	8,132	2,984	3,405
Settlements on other transactions	5,438	13,100	9,275
Accounts payable to re-insurers	5,224	3,139	1,692
Accrued expenses	2,091	3,957	314
Accrued commission expense	60	18	23
Accrued payable to deposits and insurance payment guarantee funds	39	1,053	55
Accounts payable	-	14,042	-
	20,984	38,293	14,764
Other non-financial liabilities			
Taxes payable other than income tax	9,165	4,970	2,408
Advances received	3,709	4,786	902
	33,858	48,049	18,074

29. SUBORDINATED DEBT

	Currency	Maturity date	Interest rate %	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Subordinated bonds	KZT	2017 - 2025	4.80-9.50	123,797	35,131	35,104
Subordinated debt	USD	2017	5.95	71,800	38,448	28,383
Subordinated debt	USD	2016	6.77	51,421	27,693	23,530
Perpetual bonds	USD	-	6.53	18,764	13,297	15,388
Subordinated debt of Citigroup GMD AG & Co	USD	-	-	-	-	15,753
Debt component of preference shares	USD	-	-	15,453	8,287	7,002
				281,235	122,856	125,160

On 26 March 2015, the Bank has repaid subordinated debt received in March 2005 for the original amount of KZT 7,000 million. The subordinated debt was repaid in full from the Bank's own funds.

On 8 September 2015, the Bank has repaid subordinated bonds issued in September 2005 for the original amount of KZT 5,500 million. The subordinated bond was repaid in full on the date of its maturity from the Bank's own funds.

On 11 June 2015, the Bank additionally placed bonds through specialized trades at KASE of the same issue with a total nominal value of KZT 5,000 million with the yield to maturity at placement at a rate 8.75% per annum for the price (net of commissions paid at placement) 99.88% of the nominal value.

On 21 and 30 October 2015, through specialized trades, the Bank had placed subordinated bonds on KASE, in the total nominal amount of KZT 101,144 million, with the maturity in October 2025 and yield to maturity at placement at a rate of 9.7%, issued in accordance with legislation of the Republic of Kazakhstan.

In the event of bankruptcy or liquidation of the Bank repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

30. SHARE CAPITAL

As at 31 December 2015, 2014 and 2013, authorized share capital consisted of 1,100 million ordinary shares and 175 million preference shares.

As at 31 December 2015, the Group's share capital comprised the following:

	Authorized share capital	Authorized but not issued share capital	Repurchased share capital	Issued share capital
	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)
Ordinary shares	1,100,000,000	(192,863,203)	(110,200,515)	796,936,282
Preference shares	175,000,000	(50,000,000)	(1,839,876)	123,160,124
	<u>1,275,000,000</u>	<u>(242,863,203)</u>	<u>(112,040,391)</u>	<u>920,096,406</u>

As at 31 December 2014, the Group's share capital comprised the following:

	Authorized share capital	Authorized but not issued share capital	Repurchased share capital	Issued share capital
	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)
Ordinary shares	1,100,000,000	(320,661,823)	(109,811,012)	669,527,165
Preference shares	175,000,000	(50,000,000)	(2,726,598)	122,273,402
	<u>1,275,000,000</u>	<u>(370,661,823)</u>	<u>(112,537,610)</u>	<u>791,800,567</u>

As at 31 December 2013, the Group's share capital comprised the following:

	Authorized share capital	Authorized but not issued share capital	Repurchased share capital	Issued share capital
	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)
Ordinary shares	1,100,000,000	(320,661,823)	(1,560,270)	777,777,907
Preference shares	175,000,000	(50,000,000)	(2,864,555)	122,135,445
	<u>1,275,000,000</u>	<u>(370,661,823)</u>	<u>(4,424,825)</u>	<u>899,913,352</u>

The preference shares carry no voting rights, unless preference dividends are not paid, but rank ahead of the ordinary shares in the event of liquidation of the Bank. The annual dividend is determined by the preference shares issuance rules in the amount of USD 0.04 per share. According to legislation on Joint Stock Companies of the Republic of Kazakhstan, additional dividend payments on the preference shares cannot be less than the dividends paid on ordinary shares. These shares are cumulative and not redeemable.

During 2015, dividends declared on preference shares amounted to KZT 1,071 million (2014: KZT 878 million, 2013: KZT 724 million). In 2015, 2014 and 2013 dividends on ordinary shares of the Bank have not been declared.

The table below provides a reconciliation of the number of shares outstanding as at 31 December 2015, 2014 and 2013:

	Preference shares (Number of shares)	Ordinary shares (Number of shares)	Preference shares (KZT million)	Ordinary shares (KZT million)
31 December 2012	123,209,769	777,588,523	12,582	200,085
(Repurchase)/sale of treasury shares	<u>(1,074,324)</u>	<u>189,384</u>	<u>(56)</u>	<u>1</u>
31 December 2013	122,135,445	777,777,907	12,526	200,086
Sale/(repurchase) of treasury shares	<u>137,957</u>	<u>(108,250,742)</u>	<u>11</u>	<u>(51,678)</u>
31 December 2014	122,273,402	669,527,165	12,537	148,408
Sale of treasury shares	<u>886,722</u>	<u>127,409,117</u>	<u>145</u>	<u>73,430</u>
31 December 2015	<u>123,160,124</u>	<u>796,936,282</u>	<u>12,682</u>	<u>221,838</u>

The share premium reserve represents an excess of contributions received over the nominal value of shares issued.

The Group's profit distributable among shareholders is limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by Kazakhstan regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies.

31. TRANSFERRED FINANCIAL ASSETS

Details of transferred financial assets that are not derecognised in their entirety as at 31 December 2015, 2014 and 2013 are disclosed below:

Securities lending and repurchase agreements

The Group has a plan to borrow and lend securities and to sell securities under agreements to repurchase (repos) and to purchase securities under agreements to resell (reverse repos). The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange, or other financial assets.

The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

Similarly, the Group may sell or re-pledge any securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the securities are not recognised by the Group, which instead record a separate asset for any possible cash collateral provided.

	Financial assets at fair value through profit or loss (KZT million) (Note 15)	Investments available-for- sale (KZT million) (Note 18)	Investments held to maturity (KZT million) (Note 19)	Bonds of JSC NWF Samruk- Kazyna (KZT million)
As at 31 December 2015:				
Carrying amount of assets	27,469	-	1,163	-
Carrying amount of associated liabilities (loans under repurchase agreements)	25,691	-	989	-
As at 31 December 2014:				
Carrying amount of assets	73,763	4,095	6,118	627,741
Carrying amount of associated liabilities (loans under repurchase agreements)	69,194	3,858	5,710	581,035
As at 31 December 2013:				
Carrying amount of assets	75,380	6,440	-	-
Carrying amount of associated liabilities (loans under repurchase agreements)	67,967	7,009	-	-

32. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and credit commitments, in the event of non-performance or in the event of impairment by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 December 2015, provision for losses on guarantees and other contingencies amounted to KZT 5,894 million (2014: KZT 686 million, 2013: 4,156 million).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the standardized approach provided for under Basel II standards.

As at 31 December 2015, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 138,318 million (2014: KZT 47,682 million, 2013: KZT 47,034 million). The collateral includes real estate, deposits and various other financial and non-financial assets.

As at 31 December 2015, 2014 and 2013, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Contingent liabilities and commitments:			
Guarantees issued and similar commitments	130,047	70,029	57,465
Letters of credit and other transaction related to contingent obligations	53,815	4,250	10,040
Commitments on loans and unused credit lines	15,667	12,491	10,923
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	<u>18</u>	<u>21</u>	<u>24</u>
Total contingent liabilities and commitments	<u>199,547</u>	<u>86,791</u>	<u>78,452</u>
Less: collateral in cash	(90,598)	(15,754)	(18,507)
Less: provision for contingent liabilities and commitments (Note 6)	<u>(5,894)</u>	<u>(686)</u>	<u>(4,156)</u>
Total contingent liabilities and commitments, net of provisions and cash collateral	<u>103,055</u>	<u>70,351</u>	<u>55,789</u>
Total risk-weighted amount	<u>138,780</u>	<u>66,134</u>	<u>56,447</u>

The decision to issue loans to customers within open credit lines is made by the Group at each request of a customer for the borrowed funds and depends on the financial position of the borrower, credit history and other factors. As at 31 December 2015, the amount of contingent liabilities on such unused credit lines equals to KZT 314,230 million (2014: KZT 271,750 million, 2013: KZT 319,172 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit for any reason including in case the borrower violates the obligations before the Group; insufficiency of the collateral when revaluing the collateral due to a decrease in its pledge value or change of prices in the market; or as a result of provision of the credit line (provision of credit) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks; without warning the borrower.

Capital commitments

As at 31 December 2015, capital commitments amounted to KZT 1,468 million (2014: KZT 530 million, 2013: KZT 55 million).

Operating lease commitments

As at 31 December 2015, 2014 and 2013, there were no material operating lease commitments outstanding.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited rights on decision making with clients for the management of assets in accordance with specific criteria established by them. The Group is liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. As at 31 December 2015, these amounts represent balances of clients' funds under management of Group, including assets, which are under responsible custody in the amount of KZT 169,416 million (2014: KZT 81,504 million, 2013: KZT 85,814 million) respectively. As at 31 December 2015, assets of pension funds, which are under management of the Group, were equal to KZT Nil (2014: KZT Nil, 2013: KZT 347,027 million).

Legal proceedings and claims

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reliably measured. No provision has been made in these consolidated financial statements for any of the contingent liabilities mentioned below.

Sekerbank TAS

In accordance with the decision of the Commercial Court of Istanbul dated 7 February 2012 at the request of Türkiye Vakıflar Bankası TAO provisional arrest was imposed on 101,726,214 shares of Şekerbank TAŞ belonging to Subsidiary BTA Bank JSC BTA Securities Joint Stock Company (“BTA Securities”) together with the prohibition to transfer these shares to third parties. The issue regarding removal of seizure of shares belonging to BTA Securities was considered during court sessions on 13 May 2013, 11 September 2013, 5 February 2014 and 2 June 2014. On 5 February 2015, a regular hearing took place. Due to the absence of one of the main judges, the next court session was postponed to 9 April 2015. However, the Commercial Court of Istanbul decided that the petition regarding the removal of the arrest on shares will be reviewed by convocation of an extraordinary meeting.

On 13 March 2015, 86.47% of BTA Securities’ share in Sekerbank was blocked by the decision of Commercial court of Istanbul, Turkey, including shares acquired and gratuitously received during 2015.

On 3 December 2015, the First Commercial Court of the First Instance in Istanbul, Turkey, issued a ruling in favor of Türkiye Vakıflar Bank T.A.O. and upheld its lawsuit. The ruling decreed that the amount due on loan guaranteed by the JSC BTA Bank should be recovered jointly from the defendants JSC BTA Bank and the BTA Securities with 22.5% interest per annum in favor of the plaintiff. On 11 March 2016, as a result of the decision at the First Commercial Court of the First Instance in Istanbul, Turkey, the remaining 13.53% of Şekerbank shares out of encumbrance in the quantity of 17,083,367 shares were also blocked as the provision of guarantee of JSC BTA Bank on the loan to ELT LojistikLtd. Şti. (Turkey) issued by TürkiyeVakıflarBank T.A.O. (Turkey).

JSC BTA Bank and the BTA Securities are preparing to issue a joint appeal against the ruling and an application to suspend the execution of the court ruling. According to the Parent’s lawyers, the court ruling and any further actions of TürkiyeVakıflarBank T.A.O. (Turkey) to execute it would constitute a large number of violations of Turkish law. For this reason, JSC BTA bank and the BTA Securities believe they have a strong case by appealing against the actions of TürkiyeVakıflarBank T.A.O. (Turkey).

Currently, BTA in cooperation with BTA Securities is preparing to appeal the decision and submit the application for suspension of action for the implementation of the court decision due to errors on points of law in the original ruling.

In connection with the above, Group management believes it is highly probable that the court case under consideration will conclude in favor of BTA and BTA Securities, if the case is supported further.

Taxation

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management’s judgment of the

Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all probable tax amounts due. Income tax related provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014, 2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to a significant decrease in the national export revenue. On 20 August 2015, the Government and the National Bank of the Republic of Kazakhstan announced a transition to a new monetary policy based on free floating KZT exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, the KZT depreciated significantly against major foreign currencies.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

33. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24.

In considering each possible related party relationship, special attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Note 2 contains information on operations concluded with JSC BTA Bank, related party, in 2015 and 2014. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2015 (KZT million)		31 December 2014 (KZT million)		31 December 2013 (KZT million)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Financial assets at fair value through profit or loss	10,783	365,277	-	175,927	-	121,855
- other related parties	10,783		-		-	
Loans and advances to banks and other financial institutions	-	296,677	3,531	208,550	-	139,743
- associates	-		3,531		-	
Loans to customers, before allowance	2,376,155	4,144,178	9	2,630,424	1,059	2,879,746
- key management personnel of the entity or its parent	5		9		1,059	
- other related parties	2,376,150		-		-	
Allowance for impairment losses on loans to customers	(41,927)	(314,442)	(2)	(508,276)	(116)	(978,753)
- key management personnel of the entity or its parent	-		(2)		(116)	
- other related parties	(41,927)		-		-	
Investments, available for sale	174	34,544	-	94,606	-	21,249
- other related parties	174		-		-	
Loans and advances from banks and other financial institutions	1	123,063	20	682,856	-	97,955
- associates	-		20		-	
- other related parties	1		-		-	
Customer accounts	49,085	3,324,734	6,079	2,264,140	5,152	1,682,035
- parent company	127		1,896		1,609	
- entities with joint control or significant influence over the entity	-		-		275	
- key management personnel of the entity or its parent	3,353		4,072		3,237	
- other related parties	45,605		111		31	
Commitments on loans and unused credit lines	112	15,667	215	12,491	134	10,923
- key management personnel of the entity or its parent	112		215		134	
Guarantees issued and similar commitments	6,810	130,047	-	70,029	-	57,465
- other related parties	6,810		-		-	
Letters of credit and other operations, related to contingent liabilities	17	53,815	-	4,250	-	10,040
- other related parties	17		-		-	

As at 31 December 2015, contingent liabilities amount of undrawn credit lines of related parties were equal to KZT Nil (2014: KZT 10 million, 2013: KZT 6 million).

Included in the consolidated statement of profit or loss for the years ended 31 December 2015, 2014 and 2013 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2015 (KZT million)		Year ended 31 December 2014 (KZT million)		Year ended 31 December 2013 (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	81,090	378,053	111	313,579	65	252,092
- entities with a joint control	12		-		-	
- key management personnel of the entity or its parent	1		111		65	
- other related parties	81,077		-		-	
Interest expense	(154)	(190,967)	(345)	(159,547)	(297)	(110,550)
- parties with significant influence	(3)		(175)		(71)	
- entities with a joint control	(19)		-		(3)	
- key management personnel of the entity or its parent	(127)		(169)		(223)	
- other related parties	(5)		(1)		-	
Operating expenses	(333)	(78,546)	(1,301)	(64,891)	(887)	(32,739)
- short-term employee benefits	(333)	(33,306)	(1,301)	(27,445)	(887)	(16,878)
Provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies	(31,037)	(193,767)	(112)	(72,455)	(101)	(78,718)
- key management personnel of the entity or its parent	(3)		(112)		(101)	
- other related parties	(31,034)		-		-	

Key management personnel compensation for the years ended 31 December 2015, 2014 and 2013 is represented by salary and bonuses.

As at 31 December 2015, 2014 and 2013, the Group does not pledge any assets in connection with guarantees issued to Management.

34. SEGMENT REPORTING

Business segments

The Group is managed and reported on the basis of four main operating segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, documentary credits.
- Investment banking – representing financial instruments trading, structured financing, and merger and acquisitions advice, foreign currency and derivative products.
- Other – representing insurance operations and other activities.

Retail banking offers a range of personal banking, savings and mortgage products and services. Corporate banking offers business banking services principally to small and mid-sized companies and commercial loans to larger corporate and commercial customers. Investment banking consists of assets and liabilities required to support the liquidity and funding requirements of the Group, Asset and Liability Management activities.

Transactions between the business segments are performed on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Internal charges and transfer pricing adjustments, if any, have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, except tax assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

More specific information on the revenues from external customers for each product and service, or each group of similar products and services is not available and the cost to develop it is high. Hence the Group presents operating segments on the basis of four main segments.

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	As at and for the year ended 31 December 2015
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
External interest income	60,890	270,992	45,452	719	-	-	378,053
Internal interest income	65,016	49,769	230,319	-	-	(345,104)	-
External interest expenses	(41,612)	(62,255)	(87,054)	(46)	-	-	(190,967)
Internal interest expenses	(39,417)	(174,385)	(131,302)	-	-	345,104	-
Net interest income before provision for impairment losses on interest bearing assets	44,877	84,121	57,415	673	-	-	187,086
(Provision)/recovery of provision for impairment losses on interest bearing assets	(27,836)	(148,981)	(25)	1	-	-	(176,841)
NET INTEREST INCOME/(EXPENSE)	17,041	(64,860)	57,390	674	-	-	10,245
Net gain on financial assets and liabilities at fair value through profit or loss	-	-	56,969	29	-	-	56,998
Net gain/(loss) on foreign exchange and precious metals operations	3,698	(9,630)	(8,313)	92	-	-	(14,153)
Fee and commission income	28,927	14,929	1,567	2,137	-	-	47,560
Fee and commission expense	(14,103)	(1,884)	(2,373)	(777)	-	-	(19,137)
Net loss on investments available-for-sale	-	-	(68)	172	-	-	104
Dividend income	-	-	1,297	-	-	-	1,297
Other income	269	3,319	4,808	8,605	-	-	17,001
Revaluation of assets classified as held for sale	-	(5,335)	-	-	-	-	(5,335)
NET NON-INTEREST INCOME	18,791	1,399	53,887	10,258	-	-	84,335
OPERATING EXPENSES	(33,085)	(34,082)	(1,880)	(9,499)	-	-	(78,546)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	2,747	(97,543)	109,397	1,433	-	-	16,034
(Provision)/recovery of provision for impairment losses on other transactions	36	(2,035)	3	(9,789)	-	-	(11,785)
Recovery of provision for guarantees and other contingencies	-	(5,141)	-	-	-	-	(5,141)
PROFIT/(LOSS) BEFORE INCOME TAX	2,783	(104,719)	109,400	(8,356)	-	-	(892)
Segment assets	296,522	3,731,367	1,167,842	105,530	13,793	(220,719)	5,094,335
Segment liabilities	1,474,668	1,982,528	1,332,376	87,063	5,098	(160,666)	4,721,067

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	As at and for the year ended 31 December 2014
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
External interest income	61,080	218,964	31,574	1,961	-	-	313,579
Internal interest income	49,225	43,671	205,386	-	-	(298,282)	-
External interest expenses	(45,835)	(40,077)	(73,576)	(59)	-	-	(159,547)
Internal interest expenses	(26,706)	(143,916)	(127,660)	-	-	298,282	-
Net interest income before provision for impairment losses on interest bearing assets	37,764	78,642	35,724	1,902	-	-	154,032
Provision for impairment losses on interest bearing assets	(29,039)	(47,049)	2,049	-	-	-	(74,039)
NET INTEREST INCOME	8,725	31,593	37,773	1,902	-	-	79,993
Net loss on financial assets and liabilities at fair value though profit or loss	(15)	(15)	(30,034)	(106)	-	-	(30,170)
Net gain/(loss) on foreign exchange and precious metals operations	2,169	(2,443)	7,760	1,272	-	-	8,758
Fee and commission income	24,731	15,237	1,236	112	-	-	41,316
Fee and commission expense	(13,932)	(945)	(1,619)	(153)	-	-	(16,649)
Net gain/(loss) on investments available-for-sale	-	-	1,245	(109)	-	-	1,136
Dividend income	-	94	1,289	55	-	-	1,438
Other (expenses)/income	(30,423)	6,805	26,348	5,385	-	-	8,115
Revaluation of assets classified as held for sale	-	-	(252)	-	-	-	(252)
NET NON-INTEREST INCOME/(EXPENSE)	(17,470)	18,733	5,973	6,456	-	-	13,692
OPERATING EXPENSES	(26,834)	(24,421)	(10,152)	(3,484)	-	-	(64,891)
(LOSS)/PROFIT BEFORE OTHER OPERATING PROVISIONS	(35,579)	25,905	33,594	4,874	-	-	28,794
(Provision)/recovery of provision for impairment losses on other transactions	31,306	(13,001)	(15,961)	(5,749)	-	-	(3,405)
Recovery of provision for guarantees and other contingencies	-	4,988	1	-	-	-	4,989
Share of profits of associates	-	-	300	-	-	-	300
(LOSS)/PROFIT BEFORE INCOME TAX	(4,273)	17,892	17,934	(875)	-	-	30,678
Segment assets	796,544	2,198,807	1,492,044	129,073	16,537	(385,928)	4,247,077
Segment liabilities	1,043,437	1,897,175	1,684,900	19,693	2,602	(816,771)	3,831,036

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Eliminations	As at and for the year ended 31 December 2013
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
External interest income	38,593	204,903	7,404	1,192	-	-	252,092
Internal interest income	48,812	37,083	168,236	-	-	(254,131)	-
External interest expenses	(39,228)	(32,728)	(38,594)	-	-	-	(110,550)
Internal interest expenses	(19,730)	(128,442)	(105,959)	-	-	254,131	-
Net interest income before provision for impairment losses on interest bearing assets	28,447	80,816	31,087	1,192	-	-	141,542
Recovery of provision/(provision) for impairment losses on interest bearing assets	9,721	(81,388)	112	-	-	-	(71,555)
NET INTEREST INCOME/(EXPENSE)	38,168	(572)	31,199	1,192	-	-	69,987
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	-	-	4,770	(27)	-	-	4,743
Net gain/(loss) on foreign exchange and precious metals operations	919	83	(1,650)	89	-	-	(559)
Fee and commission income	16,811	9,956	4,768	-	-	-	31,535
Fee and commission expense	(7,933)	(685)	(414)	(155)	-	-	(9,187)
Net gain/(loss) on investments available-for-sale	-	2	171	(87)	-	-	86
Dividend income	-	-	280	44	-	-	324
Other (expenses)/income	(97)	(59)	(503)	5,125	-	-	4,466
Revaluation of assets classified as held for sale	-	-	726	-	-	-	726
NET NON-INTEREST INCOME	9,700	9,297	8,148	4,989	-	-	32,134
OPERATING EXPENSES	(18,973)	(9,413)	(1,806)	(2,547)	-	-	(32,739)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	28,895	(688)	37,541	3,634	-	-	69,382
Provision for impairment losses on other transactions	-	(2,551)	(8)	(3,189)	-	-	(5,748)
Provision for guarantees and other contingencies	-	(1,415)	-	-	-	-	(1,415)
PROFIT/(LOSS) BEFORE INCOME TAX	28,895	(4,654)	37,533	445	-	-	62,219
Segment assets	305,612	1,779,538	493,571	73,343	8,623	(74,395)	2,586,292
Segment liabilities	686,360	1,058,874	520,134	17,601	2,316	(71,200)	2,214,085

For the year ended 31 December 2015, operating expenses included depreciation and amortization: in segment “Retail banking” amounted to KZT 1,406 million (2014: KZT 1,324 million, 2013: KZT 1,058 million), in segment “Corporate banking” amounted to KZT 2,071 million (2014: KZT 2,059 million, 2013: KZT 1,887 million), in segment “Investment banking” amounted to KZT 28 million (2014: KZT 39 million, 2013: KZT 48 million), in segment “Other” amounted to KZT 325 million (2014: KZT 201 million, 2013: KZT 119 million).

Geographical segments

Segment information for the main geographical segments of the Group is set out below for the years ended 31 December 2015, 2014 and 2013. The financial results disclosed below has been allocated based on domicile of the company within the Group.

	Kazakhstan	CIS	OECD Countries	For the year ended 31 December 2015 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Interest income	367,548	10,505	-	378,053
Interest expense	(185,676)	(5,291)	-	(190,967)
Provision for impairment losses on interest bearing assets	(175,478)	(1,363)	-	(176,841)
Net gain on financial assets and liabilities at fair value through profit or loss	57,629	(631)	-	56,998
Net (loss)/gain on foreign exchange and precious metals operations	(18,977)	4,858	(34)	(14,153)
Fee and commission income	46,468	1,092		47,560
Fee and commission expense	(18,446)	(690)	(1)	(19,137)
Net gain/(loss) on investments available-for-sale	380	(276)	-	104
Dividend income	1,297	-	-	1,297
Other income/(expenses)	18,870	(1,870)	1	17,001
Revaluation of assets classified as held for sale	(4,685)	(650)	-	(5,335)
OPERATING INCOME/(LOSS)	88,930	5,684	(34)	94,580

	Kazakhstan	CIS	OECD Countries	For the year ended 31 December 2014 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Interest income	300,472	13,107	-	313,579
Interest expense	(154,200)	(5,347)	-	(159,547)
Provision for impairment losses on interest bearing assets	(67,172)	(6,867)	-	(74,039)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(30,254)	(146)	230	(30,170)
Net gain/(loss) on foreign exchange and precious metals operations	5,467	3,416	(125)	8,758
Fee and commission income	39,188	1,877	251	41,316
Fee and commission expense	(15,638)	(961)	(50)	(16,649)
Net gain/(loss) on investments available-for-sale	1,245	(109)	-	1,136
Dividend income	1,438	-	-	1,438
Other income/(expenses)	10,479	(2,332)	(32)	8,115
Revaluation of assets classified as held for sale	(219)	(33)	-	(252)
OPERATING INCOME	90,806	2,605	274	93,685

	Kazakhstan	CIS	OECD Countries	For the year ended 31 December 2013 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Interest income	241,948	10,144	-	252,092
Interest expense	(105,859)	(4,691)	-	(110,550)
Provision for impairment losses on interest bearing assets	(69,356)	(2,199)	-	(71,555)
Net gain on financial assets and liabilities at fair value through profit or loss	4,197	546	-	4,743
Net (loss)/gain on foreign exchange and precious metals operations	(1,699)	1,129	11	(559)
Fee and commission income	30,852	683	-	31,535
Fee and commission expense	(8,531)	(656)	-	(9,187)
Net realized gain on investments available-for-sale	85	1	-	86
Dividend income	322	2	-	324
Other income	4,304	162	-	4,466
(Impairment)/recovery of impairment of assets classified as available for sale	(21)	747	-	726
OPERATING INCOME	96,242	5,868	11	102,121

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as 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.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis.

The Group classifies its financial instruments using a fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of those instruments. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)				
1) Derivative financial assets (Note 15)	14,720	11,030	16,584	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Derivative financial assets (Note 15)	195,766	6,639	-	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition.	KZT implied rate	N/A. Internal rate of return in KZT is determined at initial recognition of instrument and subsequently not recalculated.
3) Non-derivative financial assets at fair value through profit or loss (Note 15)							
Debt securities	100,866	112,276	99,847	Level 1	Quoted bid prices in an active market.	N/A	N/A
Debt securities	-	81	87	Level 3	Discounted cash flows based on contractual terms of debt securities and yield of similar instruments of counterparties with credit risk adjustment using internal model.	Credit risk adjustment based on internal model.	The greater the credit risk adjustment the lower the fair value of instrument.
Equity investments	53,925	45,901	5,337	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Investments available-for-sale (Note 18)	34,544	94,606	21,249	Level 1	Quoted bid prices in an active market.	N/A	N/A
5) Derivative financial liabilities (Note 15)	69,956	20,791	2,296	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
6) Derivative financial liabilities (Note 15)	5,453	-	-	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition-	KZT implied rate	The greater KZT implied rate – the smaller fair value

The table below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2015, 2014 and 2013, respectively:

		Level 1	Level 2	Level 3	31 December 2015
		(KZT million)	(KZT million)	(KZT million)	Total (KZT million)
Financial assets:					
Trading assets	Debt securities	100,866	-	-	100,866
	Equity investments	53,925	-	-	53,925
Derivative financial instruments	Foreign exchange and interest rate contracts	-	14,720	195,766	210,486
Investments available-for-sale	Debt securities	33,143	-	-	33,143
	Equity investments	1,373	-	28	1,401
Total		<u>189,307</u>	<u>14,720</u>	<u>195,794</u>	<u>399,821</u>
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	69,956	5,453	75,409
Total		<u>-</u>	<u>69,956</u>	<u>5,453</u>	<u>75,409</u>
		Level 1	Level 2	Level 3	31 December 2014
		(KZT million)	(KZT million)	(KZT million)	Total (KZT million)
Financial assets:					
Trading assets	Debt securities	112,276	-	81	112,357
	Equity investments	45,901	-	-	45,901
Derivative financial instruments	Foreign exchange and interest rate contracts	-	11,030	6,639	17,669
Investments available-for-sale	Debt securities	91,569	-	-	91,569
	Equity investments	3,037	-	-	3,037
Total		<u>252,783</u>	<u>11,030</u>	<u>6,720</u>	<u>270,533</u>
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	20,791	-	20,791
Total		<u>-</u>	<u>20,791</u>	<u>-</u>	<u>20,791</u>

		Level 1	Level 2	Level 3	31 December 2013 Total
		(KZT million)	(KZT million)	(KZT million)	(KZT million)
Financial assets:					
Trading assets	Debt securities	99,847	-	87	99,934
	Equity investments	5,337	-	-	5,337
Derivative financial instruments	Foreign exchange and interest rate contracts	-	16,584	-	16,584
Investments available-for-sale	Debt securities	19,756	-	-	19,756
	Equity investments	1,493	-	-	1,493
Total		126,433	16,584	87	143,104
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	2,296	-	2,296
Total		-	2,296	-	2,296

There were no transfers of financial instruments between Level 1 and 2 during the years ended 31 December 2015 and 2014.

Reconciliation from the beginning balances to the ending balances in Level 3 of fair value hierarchy for financial assets measured at fair value on recurring basis for the years ended 31 December 2015, 2014 and 2013 was presented as follows:

	Financial assets at fair value through profit or loss		Financial assets available-for-sale	Total
	Trading assets	Derivative financial instruments	Equity instruments	
	(KZT million)	(KZT million)	Available-for-sale (KZT million)	(KZT million)
1 January 2013	83	-	-	83
<i>Total gains or (losses)</i>				
-to profit or loss	4	-	-	4
31 December 2013	87	-	-	87
Additions	-	9,852	-	9,852
<i>Total gains or (losses)</i>				
- to profit or loss	16	(3,213)	-	(3,197)
Redemption	(4)	-	-	(4)
Business combination	(18)	-	-	(18)
31 December 2014	81	6,639	-	6,720
Additions	-	827	81	908
<i>Total gains or (losses)</i>				
- to profit or loss	1	188,300	-	188,301
-to other comprehensive income	-	-	(53)	(53)
Redemption (exchange for shares)	(81)	-	-	(81)
Disposal of subsidiary	14	-	-	14
Disposal	(15)	-	-	(15)
31 December 2015	-	195,766	28	195,794

As at 31 December 2015, 2014 and 2013, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data and unobservable data, and certain debt securities, which are valued using valuation models not based on observable market data.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not measured at fair value:

Loans and advances to and from banks and other financial institutions and other borrowed funds – for assets and liabilities maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over three months, the fair value in relation to repurchase and reverse repurchase agreements was estimated as the fair value of collateral pledged and received. For all other loans and advances and other borrowed funds the fair value is estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates and making adjustments for credit risk of the Group or counterparty.

Loans to customers – the estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using market rates as at the respective year-end.

Debt securities issued – market values have been used, where available, to determine the fair value of debt securities traded on an active market.

Subordinated debt – market values have been used, where available, to determine the fair value of subordinated bonds issued and perpetual debt.

The fair value of financial assets and liabilities that are not carried at fair value in the consolidated statement of financial position compared with the corresponding carrying value in the consolidated financial statements of the Group are presented below:

	31 December 2015		31 December 2014		31 December 2013	
	Carrying amount (KZT million)	Fair value (KZT million)	Carrying amount (KZT million)	Fair value (KZT million)	Carrying amount (KZT million)	Fair value (KZT million)
Financial assets:						
Loans to customers	3,829,736	3,853,164	2,122,148	2,227,656	1,900,993	1,952,399
Bonds of JSC NWF Samruk-Kazyna	-	-	659,116	665,099	-	-
Investments held to maturity	209,936	208,611	18,440	18,482	6,503	6,381
Financial liabilities:						
Customer accounts	3,317,559	3,328,690	2,264,140	2,283,364	1,682,035	1,692,680
Debt securities issued	695,483	709,344	416,920	390,566	253,311	251,872
Other borrowed funds	101,595	74,265	216,693	218,110	15,437	14,669
Subordinated debt	281,235	269,296	122,856	107,623	125,160	125,703

	31 December 2015			
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (KZT million)
Financial assets:				
Loans to customers	-	-	3,853,164	3,853,164
Investments held to maturity	208,611	-	-	208,611
Financial liabilities:				
Customer accounts	-	3,328,690	-	3,328,690
Debt securities issued	709,344	-	-	709,344
Other borrowed funds	-	74,265	-	74,265
Subordinated debt	269,296	-	-	269,296

	31 December 2014			
	Level 1	Level 2	Level 3	Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Financial assets:				
Loans to customers	-	-	2,227,656	2,227,656
Bonds of JSC NWF Samruk-Kazyna	-	665,099	-	665,099
Investments held to maturity	18,482	-	-	18,482
Financial liabilities:				
Customer accounts	-	2,283,364	-	2,283,364
Debt securities issued	390,566	-	-	390,566
Other borrowed funds	-	218,110	-	218,110
Subordinated debt	107,623	-	-	107,623

	31 December 2013			
	Level 1	Level 2	Level 3	Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Financial assets:				
Loans to customers	-	-	1,952,399	1,952,399
Investments held to maturity	6,381	-	-	6,381
Financial liabilities:				
Customer accounts	-	1,692,680	-	1,692,680
Debt securities issued	251,872	-	-	251,872
Other borrowed funds	-	14,669	-	14,669
Subordinated debt	-	125,703	-	125,703

Financial assets and liabilities at fair value through profit or loss and investments available-for-sale are carried at fair value in the consolidated statement of financial position. The carrying amounts of cash and balances with national (central) banks, other financial assets and other financial liabilities, loans and advances to banks and other financial institutions and loans and advances from banks and financial institutions approximates fair value due to the short-term nature and concluding of such financial instruments contracts on market terms.

36. CAPITAL RISK MANAGEMENT

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total and tier 1 capital to risk weighted assets.

Capital adequacy requirements are set by the NBRK and controlled using the principles, methods and factors identified by the Basel II (standardised approach).

	31 December 2015 (KZT million)	31 December 2014 (KZT million)	31 December 2013 (KZT million)
Composition of regulatory capital ^a :			
Tier 1 capital:			
Share capital (ordinary shares)	221,838	148,408	200,086
Share premium reserve	(6,405)	(6,405)	(6,405)
Retained earnings	141,775	203,531	157,757
Non-controlling interest	9	50,338	1,703
Goodwill	-	(171)	-
Investments in associates	-	(4,420)	-
Perpetual bonds	18,592	13,126	11,098
Total qualifying tier 1 capital	<u>375,809</u>	<u>404,407</u>	<u>364,239</u>
Revaluation reserves ^b	2,917	5,517	5,626
Share capital (preference shares)	12,682	12,537	12,526
Subordinated debt ^c	131,894	33,064	47,599
Investments in associates	-	(4,420)	-
Total qualifying tier 2 capital	<u>147,493</u>	<u>46,698</u>	<u>65,751</u>
Total capital	<u>523,302</u>	<u>451,105</u>	<u>429,990</u>
Risk weighted assets	4,535,938	3,382,089	2,419,037
Ratio of tier 1 capital adequacy	8.29%	11.96%	15.06%
Capital adequacy ratio	11.54%	13.34%	17.78%

^a According to the principles applied by Basel II.

^b The line "Revaluation reserves" includes property and equipment revaluation reserve and investments available-for-sale revaluation reserve/(deficit) (in accordance with the Basel II standards).

^c As at 31 December 2015, 2014 and 2013, the Group included in the computation of total capital for capital adequacy purposes the subordinated debt received, which is not to exceed 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

During the years ended 31 December 2015, 2014 and 2013, the Group complied with all set capital requirements. The capital adequacy ratio was calculated according to the principles employed by the Basel Committee.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes subordinated and perpetual debt disclosed in Note 29, and equity comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board of the Bank reviews its capital structure on quarterly basis. Based on the recommendations of the Management Board by making decisions on the Board of Directors or shareholders meeting, the Group balances its overall capital structure through new share issues, issues of new debt or the redemption of existing debt, and the payment of dividends.

In 2015 the Group's overall capital risk management policy remains unchanged in comparison with 2014 and 2013.

37. RISK MANAGEMENT POLICIES

Management of risks is fundamental to the Group's business. The risk management functions include:

- Risk identification: The risks, which the Group is exposed to in its daily activities, are identified by the risk management system.
- Measuring risks: The Group measures the risks using various quantitative and qualitative methodologies, which include risk based profitability analysis, calculation of possible loss amounts, and utilization of specialized models. Measurement models and associated assumptions are periodically reviewed to ensure that the tools represent the risks adequately and reasonably.
- Risk monitoring: Group's policies and procedures determine the processes for mitigating and minimizing the risks and establish limits on various types of operations. Such limits are reviewed on a periodic basis set forth in internal documents of the Group.
- Risk reporting: Risk reporting is performed on a line of business and on a consolidated basis. This information is periodically presented to the Management.

The main risks inherent to the Group's operations are those related to:

- Credit risk;
- Interest rate risk;
- Liquidity risk;
- Market risk;
- Currency risk;
- Operational risk.

Credit risk

The Group is exposed to credit risk which is the risk that counterparty to a financial instrument will fail to fulfill its obligation to the Group. This covers actual payment defaults as well as losses in value resulting from a decrease in credit quality of the counterparty.

Risk management and monitoring is performed within set procedures and limits by the Credit Committees and the Management of the Group. Risk management coordination is performed by the risk management specialist or Risk Management Departments. Daily risk management is performed by the Head of the Credit Departments or Credit Divisions of branches and subsidiaries.

To measure credit risk, the Group employs several methodologies for estimating the likelihood of borrower or counterparty default. Methodologies differ depending on types of assets (e.g. consumer loans versus corporate term loans), risk measurement parameters (e.g. delinquency status and credit bureau reports versus corporate risk rating), and risk management and collection procedures (e.g. consumer lending collection center versus centrally managed workout groups).

The Group determines the level of credit risk it undertakes by setting limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. The exposure to any individual borrower is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committees.

Off-balance sheet credit commitments represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk of off-balance sheet financial instruments is defined as the probability of losses due to the inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on off-balance sheet instruments, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. The actual amount of this loss is likely to be less than the total unused commitments since the commitments are contingent upon customers maintaining certain credit standards. The Group applies the same credit policy to contingent liabilities as it does to the on-balance sheet financial instruments.

Structure of credit committees

The Group has developed policies and guidelines that are designed to preserve the independence and integrity of the approval and decision making of extending credit and are aimed at accurate assessment of credit risk and its proper and timely monitoring. The policy frameworks (separate for retail lending and corporate lending) establish credit approval authorities, risk-rating methodologies, credit review parameters and guidelines for management of distressed loans.

The Group has been centralizing decision making in the Head Office over the past several years. In particular, authorities of branches and regional directorates on approval of small entrepreneurship and retail loans have been transferred to Decision Making Centers (“DMCs”) in the Head office. Furthermore, most of the branch and regional directorate authorities on corporate loan approvals have also been transferred to the Head Office of the Bank.

The Group currently has the following credit committees:

- *Head office committees:*
 - *Head Office Credit Committee.* This committee is authorized to approve corporate loans of up to equivalent of USD 5 million. The committee also approves retail and small and medium entrepreneurship loans which exceed the thresholds and authorities set for DMCs.
 - *Commercial Directorate.* There are five members of the committee, including the Chairperson of the Group, who presides, and four Managing Directors. The committee is authorized to approve loans exceeding the equivalent of USD 5 million.
 - *Board of Directors.* All loans exceeding 10% of the Group’s total assets as well as all transactions with related parties have to be approved by the Board of Directors.
- *Branch Committees.* Each of the Group’s branches has a credit committee. The branches have limited authorities to grant loans.

Corporate loans

While considering loan applications of corporate borrowers, the related Credit Committees take into account the analysis and conclusions of Risk Management Department №1, Collateral Valuation, Legal and Security Departments.

- *Risk Management Department №1.* The analytic group within the Head Office, which provides advice on commercial loans based on their assessment of the borrower's business and/or the project, to which the loan relates. Their assessment takes into account a number of industry and borrower specific factors, future cash flows of the potential borrower and anticipated risk-adjusted returns for the Group. For the purpose of the analysis, risk managers utilize the rating model described below. Furthermore, the Department of Risk Management №1 is involved in the Group's loan portfolio monitoring and in the development of procedures and guidelines with respect to the Group's lending.
- *Collateral Valuation Department.* The Group requires collateral for almost all of its loans. According to legislation of the Republic of Kazakhstan, collateral valuation should be performed by independent collateral valuation companies (“IVCs”). The collateral Valuation Department reviews appraisal reports issued by IVCs and carries out certification and monitoring of IVCs.
- *Legal Department.* The Group obtains legal advice from the Legal Department regarding proposed loans and receives confirmation as to the valid corporate existence of the potential borrower and its authority to enter into loan transactions and collateral agreements.
- *Security Department.* The Security Department provides information on assets, credit history and reputation of potential borrowers. A central credit bureau has recently been established in Kazakhstan and this should improve the quality of information on the credit history of potential borrowers.

Retail, small and medium entrepreneurship loans

Loans to retail, small and medium entrepreneurship loans are subject to a standardized approval procedure. The Group has established two new divisions in Risk Management Department №2, the DMCs. One DMC processes consumer loan applications, while the second unit makes decisions on small and medium entrepreneurship loans. In order to approve or decline an application, the DMCs analyze payment ability and creditworthiness of a potential borrower on the basis of standard terms, criteria and procedures set forth by the Group.

The DMC on retail is authorized to approve applications within the delegated authority and up to the equivalent of USD 200,000 per one borrower. The DMC on small entrepreneurship has authorities to approve applications within the delegated authority and up to the equivalent of USD 500,000. Applications with larger exposures and/or exceeding delegated authority are referred to one of the relevant credit committees in the Head Office. The DMCs conduct analysis of the applications exceeding their limits and/or delegated authority, and the relevant credit committee takes their conclusions into account in decision making.

Allowance for credit losses

The Group establishes an allowance for impairment losses on loans and off-balance liabilities where there is objective evidence that a financial asset is impaired. In order to assess the quality of an asset and to classify it for provisioning purposes, the Bank takes into account a number of criteria, including financial performance of the borrower, terms of the loan, collateral value and debt service of the borrower. In relation to loans, classified in collective portfolio, portfolio approach is applied and the quality of debt service is considered.

Maximum exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks of certain financial assets and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and commitments. For financial assets the maximum exposure is equal to its carrying value of those assets prior to any offset or collateral. For financial guarantees and other commitments the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. The information in relation to financial guarantees and other contingent liabilities is disclosed in Note 32.

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	31 December 2015 Net exposure after offset and collateral
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Cash equivalents ¹	27,206	-	27,206	-	27,206
Financial assets at fair value through profit or loss ²	311,352	-	311,352	-	311,352
Loans and advances to banks and other financial institutions	296,677	-	296,677	(1,194)	295,483
Loans to customers	3,829,736	(12,039)	3,817,697	(1,465,586)	2,352,111
Investments available-for-sale ³	33,143	-	33,143	-	33,143
Investments held to maturity	209,936	-	209,936	-	209,936
Other financial assets	18,208	-	18,208	-	18,208
Contingent liabilities and other credit commitments	199,547	(90,598)	108,949	(41,701)	67,248

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	31 December 2014 Net exposure after offset and collateral
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Cash equivalents ¹	108,360	-	108,360	-	108,360
Financial assets at fair value through profit or loss ²	130,026	-	130,026	-	130,026
Loans and advances to banks and other financial institutions	208,550	-	208,550	(64,871)	143,679
Loans to customers	2,122,148	(4,308)	2,117,840	(512,851)	1,604,989
Bonds of JSC NWF Samruk-Kazyna	659,116	-	659,116	-	659,116
Investments available-for-sale ³	91,569	-	91,569	-	91,569
Investments held to maturity	18,440	-	18,440	-	18,440
Other financial assets	15,944	-	15,944	-	15,944
Contingent liabilities and other credit commitments	86,791	(15,754)	71,037	(23,867)	47,170
	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	31 December 2013 Net exposure after offset and collateral
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Cash equivalents ¹	145,348	-	145,348	-	145,348
Financial assets at fair value through profit or loss ²	116,518	-	116,518	-	116,518
Loans and advances to banks and other financial institutions	139,743	-	139,743	(10,590)	129,153
Loans to customers	1,900,993	(3,220)	1,897,773	(674,261)	1,223,512
Investments available-for-sale ³	19,756	-	19,756	-	19,756
Investments held to maturity	6,503	-	6,503	-	6,503
Other financial assets	5,589	-	5,589	-	5,589
Contingent liabilities and other credit commitments	78,452	(18,507)	59,945	(28,527)	31,418

¹ Amount represents unrestricted balances on correspondent and time deposit accounts with national (central) banks, which are considered as cash equivalents.

² Financial assets at fair value through profit or loss are presented excluding equity investments.

³ Investments available-for-sale are presented excluding equity investments.

The collateral pledged amount on loans to banks and other financial institutions is determined on the basis of fair value of collateral and capped by outstanding amount of loan.

The collateral pledged amount for loans to customers is represented by its fair value adjusted for costs to sell, including financial costs and adjusted for the period required to sell collateral and capped by outstanding amount of loan. Fair value of collateral is reviewed on a semi-annual basis.

As at 31 December 2015, loans and advances to banks and other financial institutions also include loans under reverse repurchase agreements in amount of KZT 596 million (2014: KZT 64,506 million, 2013: KZT 10,590 million).

As at 31 December 2015, 2014 and 2013, there were no loans to customers under reverse repurchase agreements.

Credit ratings

Financial assets are graded according to the current credit rating of international rating agencies. The highest possible rating is AAA. Investment grade of the financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as a speculative grade.

The following table details the credit ratings of financial assets held by the Group:

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2015 Total (KZT million)
Cash equivalents	-	-	-	24,526	-	2,680	27,206
Financial assets at fair value through profit or loss ¹	-	103	-	281,112	14,064	16,073	311,352
Loans and advances to banks and other financial institutions	-	70,619	5,813	22,091	182,404	15,750	296,677
Loans to customers	-	-	-	-	998	3,828,738	3,829,736
Investments available-for-sale ²	1,531	-	-	15,358	9,046	7,208	33,143
Investments held to maturity	-	153	-	206,305	2,437	1,041	209,936
Other financial assets	-	2	-	85	170	17,951	18,208
	AAA	AA	A	BBB	<BBB	Not rated	31 December 2014 Total (KZT million)
Cash equivalents	-	-	-	106,924	-	1,436	108,360
Financial assets at fair value through profit or loss ¹	393	450	1,358	105,421	8,152	14,252	130,026
Loans and advances to banks and other financial institutions	-	44,483	10,603	88,745	36,023	28,696	208,550
Loans to customers	-	-	-	-	43,803	2,078,345	2,122,148
Bonds of JSC NWF Samruk-Kazyna	-	-	-	659,116	-	-	659,116
Investments available-for-sale ²	-	850	36,256	26,318	14,200	13,945	91,569
Investments held to maturity	-	-	155	15,532	1,792	961	18,440
Other financial assets	-	3	-	243	183	15,515	15,944

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2013 Total (KZT million)
Cash equivalents	-	-	-	144,585	-	763	145,348
Financial assets at fair value through profit or loss ¹	-	7,702	52	77,244	8,381	23,139	116,518
Loans and advances to banks and other financial institutions	23,114	36,914	47,883	12,112	13,564	6,156	139,743
Loans to customers	-	-	-	-	2,097	1,898,896	1,900,993
Investments available-for-sale ²	-	-	-	7,210	5,893	6,653	19,756
Investments held to maturity	-	-	152	2,881	2,235	1,235	6,503
Other financial assets	-	9	13	149	82	5,336	5,589

¹ Financial assets at fair value through profit or loss are presented excluding equity investments.

² Investments available-for-sale are presented excluding equity investments.

Since not all counterparties of the Group have credit ratings from international rating agencies, the Group has developed its own methodologies allowing it to assign internal credit ratings. Such methodologies include a rating model for large corporate borrowers and scoring models for retail banking clients and small and medium enterprises. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan.

Loans to customers are classified by the responsible departments on the basis of internal assessment and other analytical procedures. Taking into account past experience, in December 2010 there was an improvement of the assessment methodology of probability of default of the loans based on a deeper analysis of the financial position of the borrower and future cash flows. As a result of this improvement, added to this analysis were qualitative and quantitative factors of the borrowers, such as operational efficiency, liquidity, capital adequacy ratios, cash flows and debt servicing ratios, quality of the management, risk of the industry, presence of facts of misapplication of funds and the customers' credit history.

The Group uses a rating model for classification of unimpaired loans issued to corporate customers. In 2014 the Group amended the definition of collectively assessed loans.

Previously a part of the retail portfolio was classified as homogeneous. Starting from 2014, the collectively assessed loan portfolio includes both partly retail portfolio and partly SME portfolio. This amendment did not affect the total amount of impairment.

Collectively assessed loans: loans to customers with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults and other factors). Collective assessment is performed on loans that were determined not to be individually significant and on individually significant loans that did not exhibit credit losses based on the individual assessment.

In 2015 and 2014, the Bank used the classification of unimpaired loans to customers as follows:

Ratings BBB and BBB-: acceptable or relatively acceptable quality of loan. The borrower has adequate resources to discharge its financial liabilities, relatively stable financial position, however, potential weaknesses are possible.

Ratings BB+, BB and BB-: quality of loan ranges from “sufficient” to “relatively sufficient”. Unfavourable economic conditions or worsening business conditions may have an effect on the ability of the borrower to discharge its financial liabilities in the medium term.

Ratings B+, B and B: quality of loan ranges from “relatively weak” to “very weak”. The ability of the borrower to discharge its financial liabilities ranges from “will probably worsen in case of unfavorable conditions” to “financial indicators and structural deficiencies worsened to such a low level that they signify that restructuring of business and/or finance may be needed”.

Rating C: substandard quality of loan and evident susceptibility to default. Financial indicators and structural deficiencies worsened to such a low level that they signify that restructuring of business and/or finance may be needed.

	31 December 2015 (KZT million)
Collectively assessed not impaired loans	2,804,557
BBB-, BBB	72,186
BB+, BB, BB-	149,545
B+, B, B-	120,140
C	<u>5,328</u>
Not impaired loans to customers	<u><u>3,151,756</u></u>

	31 December 2014 (KZT million)
Collectively assessed not impaired loans	706,354
BBB-, BBB	24,738
BB+, BB, BB-	163,070
B+, B, B-	90,121
C	<u>16,939</u>
Not impaired loans to customers	<u><u>1,001,222</u></u>

In 2013, the Bank used the classification of loans to customers as follows:

Group 1: The borrower makes interest and principal payments without delay and in full. The borrower is clearly able to repay both the loan principal and interest and the borrower’s high financial efficiency is expected to continue.

Group 2: The borrower makes interest and principal payments without delay and in full. The borrower is currently in a stable financial position, however, a possible negative trend may arise.

Group 3: The borrower makes interest and principal payments without delay and in full. There is evidence of some unsatisfactory financial results which may affect the ability of the borrower to repay in the future.

Group 4: The borrower makes interest and principal payments with delays and/or not in full. There is evidence of a significant number of unsatisfactory financial results which will affect the ability of the borrower to repay.

Group 5: The borrower is unable to make interest and principal payments without delays and in full. Financial efficiency is questionable and there is low probability of a full repayment in the future.

	31 December 2013 (KZT million)
Homogeneous loans	232,802
Group 1	114,615
Group 2	265,211
Group 3	805,912
Group 4	394,651
Group 5	87,802
	<hr/>
Loans to customers	<u>1,900,993</u>

Impairment of financial assets

The following table details the carrying value of assets that are impaired and not impaired:

	Financial assets that are not impaired including collective not impaired loans (KZT million)	Impaired financial assets that have been assessed individually for impairment (KZT million)	Collectively assessed impaired financial assets (KZT million)	31 December 2015 Total (KZT million)
Loans and advances to banks and other financial institutions	296,677	-	-	296,677
Loans to customers	3,151,756	592,497	85,483	3,829,736
Investments available-for-sale	34,544	-	-	34,544
Investments held to maturity	209,936	-	-	209,936
Other financial assets	18,208	-	-	18,208

	Financial assets that are not impaired (KZT million)	Impaired financial assets that have been assessed individually for impairment (KZT million)	Homogeneous and individually assessed watch assets (KZT million)	31 December 2014 Total (KZT million)
Loans and advances to banks and other financial institutions	208,550	-	-	208,550
Loans to customers	1,001,222	1,078,676	42,250	2,122,148
Investments available-for-sale	93,725	881	-	94,606
Investments held to maturity	18,440	-	-	18,440
Bonds of JSC NWF Samruk-Kazyna	659,116	-	-	659,116
Other financial assets	15,212	732	-	15,944

	Financial assets that are not impaired (KZT million)	Impaired financial assets that have been assessed individually for impairment (KZT million)	Homogeneous and individually assessed watch assets (KZT million)	31 December 2013 Total (KZT million)
Loans and advances to banks and other financial institutions	135,541	-	4,202	139,743
Loans to customers	107,338	388,364	1,405,291	1,900,993
Investments available-for-sale	21,249	-	-	21,249
Investments held to maturity	6,503	-	-	6,503
Other financial assets	5,589	-	-	5,589

Geographical concentration

The relevant Credit Committee exercise control over the risk in the legislation and regulatory arena and assess its influence on the Group's activity. The Group sets country limits for all countries with ratings below A- according to the Standard and Poor's classification.

The Management of the Group considers the main segment to be the Republic of Kazakhstan.

The geographical concentration of financial assets and financial liabilities is set out in tables below:

	Kazakhstan	CIS	OECD countries	Non-OECD countries*	31 December 2015 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL ASSETS AND PRECIOUS METALS:					
Cash and balances with national (central) banks	108,087	15,821	-	-	123,908
Precious metals	-	-	3,908	-	3,908
Financial assets at fair value through profit or loss	330,117	2,518	32,642	-	365,277
Loans and advances to banks and other financial institutions	203,271	13,981	79,276	149	296,677
Loans to customers	3,564,847	199,319	65,349	221	3,829,736
Investments available-for-sale	27,473	5,540	1,531	-	34,544
Investments held to maturity	209,784	-	152	-	209,936
Other financial assets	12,119	5,374	714	1	18,208
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	4,455,698	242,553	183,572	371	4,882,194
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	117,619	3,520	91	1,833	123,063
Customer accounts	3,218,817	56,948	30,364	18,605	3,324,734
Financial liabilities at fair value through profit or loss	26,750	44	48,615	-	75,409
Debt securities issued	182,588	518	512,377	-	695,483
Other borrowed funds	101,595	-	-	-	101,595
Dividends payable	1	-	-	-	1
Other financial liabilities	20,072	633	279	-	20,984
Subordinated debt	138,410	-	142,825	-	281,235
TOTAL FINANCIAL LIABILITIES	3,805,852	61,663	734,551	20,437	4,622,503
NET POSITION	649,846	180,890	(550,979)	(20,066)	

	Kazakhstan	CIS	OECD countries	Non-OECD countries*	31 December 2014 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL ASSETS AND PRECIOUS METALS:					
Cash and balances with national (central) banks	186,140	6,222	-	-	192,362
Precious metals	-	-	2,826	-	2,826
Financial assets at fair value through profit or loss	140,805	5,257	29,327	538	175,927
Loans and advances to banks and other financial institutions	124,559	24,613	56,661	2,717	208,550
Loans to customers	1,844,978	145,172	43,144	88,854	2,122,148
Bonds of JSC NWF Samruk-Kazyna	659,116	-	-	-	659,116
Investments available-for- sale	47,716	6,570	39,635	685	94,606
Investments held to maturity	17,909	376	155	-	18,440
Other financial assets	12,475	2,297	606	566	15,944
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	3,033,698	190,507	172,354	93,360	3,489,919
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	666,222	9,366	1,962	5,306	682,856
Customer accounts	2,185,869	35,017	31,541	11,713	2,264,140
Financial liabilities at fair value through profit or loss	46	229	20,516	-	20,791
Debt securities issued	85,303	1,224	330,393	-	416,920
Other borrowed funds	216,693	-	-	-	216,693
Dividends payable	1	30	-	-	31
Other financial liabilities	28,089	713	9,484	7	38,293
Subordinated debt	43,408	-	79,448	-	122,856
TOTAL FINANCIAL LIABILITIES	3,225,631	46,579	473,344	17,026	3,762,580
NET POSITION	(191,933)	143,928	(300,990)	76,334	

	Kazakhstan	CIS	OECD countries	Non-OECD countries*	31 December 2013 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL ASSETS AND PRECIOUS METALS:					
Cash and balances with national (central) banks	184,027	7,660	-	-	191,687
Precious metals	-	-	2,491	-	2,491
Financial assets at fair value through profit or loss	84,888	10,945	26,022	-	121,855
Loans and advances to banks and other financial institutions	11,861	15,959	111,921	2	139,743
Loans to customers	1,718,839	115,020	26,538	40,596	1,900,993
Investments available-for-sale	12,711	8,538	-	-	21,249
Investments held to maturity	6,011	340	152	-	6,503
Other financial assets	2,176	3,069	333	11	5,589
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	2,020,513	161,531	167,457	40,609	2,390,110
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	62,319	19,632	11,474	4,530	97,955
Customer accounts	1,597,055	45,017	35,374	4,589	1,682,035
Financial liabilities at fair value through profit or loss	42	112	2,142	-	2,296
Debt securities issued	1,003	678	251,630	-	253,311
Other borrowed funds	14,641	-	796	-	15,437
Dividends payable	-	6	-	-	6
Other financial liabilities	6,092	389	8,210	73	14,764
Subordinated debt	41,843	-	83,317	-	125,160
TOTAL FINANCIAL LIABILITIES	1,722,995	65,834	392,943	9,192	2,190,964
NET POSITION	297,518	95,697	(225,486)	31,417	

*As at 31 December 2015, over 50% (2014: over 50%, 2013: over 90%) of non-OECD countries operations were represented by operations of companies registered in the Republic of Cyprus. These borrowers operate in the CIS, their assets and cash flows are also generated in the CIS.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Main credit risk exposure of the Group is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Asset and Liability Management Risks

Effective assets and liabilities management is fundamental to the Bank, which allows the Bank to offer competitive products in the market while maintaining the risk and profitability balance on the level creating additional value for shareholders.

The following are defined by the bank as key areas within asset and liability management:

- Structural risk management: structural interest rate and currency risks;
- Liquidity risk management;
- Market risk management in trading portfolio;
- Capital management.

The Group's Assets and Liabilities Management Committee ("the ALMC") is responsible for managing risks the bank is exposed to while managing assets and liabilities.

The ALMC is responsible of making strategic and operational decisions with respect of managing asset and liabilities with purpose of:

- Maintaining and further increasing net income while keeping risk exposure at an acceptable level;
- Ensuring continuity of the bank operations.

In order to fulfill the objectives set above, short meetings of the ALMC take place on a weekly basis while extended meetings are organized monthly. Operational asset and liability management questions including trading portfolio performance and liquidity management are considered at the weekly meetings. At the monthly meetings the ALMC discusses more strategic questions including balance sheet structure management. Various reports are presented to the ALMC's attention including but not limiting to trading portfolio reports, open currency positions, liquidity gaps, cash flows, stress tests, etc.

Structural interest rate risk

To define and manage overall interest rate risk the Group applies an approach, which implies distinguishing interest rate risk in the trading portfolio from structural interest rate risk, since they impact equity and profit or loss differently. These two subtypes of the risk are now measured and managed separately. This section covers structural interest rate risk. Interest rate risk in the trading portfolio is measured and managed by the bank as a part of market risks.

Structural interest rate risk is a risk of possible decline in interest income generated on balance and off-balance sheet positions accounted at amortized cost as a result of changes in market interest rates. Thus managing structural interest rate risk implies managing the exposure of the Bank's net interest income and hence capital to market interest rate changes with the purpose of limiting and controlling possible income reductions or losses and ensuring optimal and stable interest income inflow.

To manage structural interest rate risk the ALMC monitors and analyzes re-pricing gap and earnings at risk as well as interest rate margins. This helps the Group to mitigate exposure to the structural interest rate risk and maintain positive interest rate margin. The Risk Management Department monitors financial activity of the Group regularly assessing its exposure to changes in interest rates and income impact of the changes.

Currently most of the loans extended by the Group are at fixed rate agreements. At the same time the loan agreements allow the Group to change the interest rate thus allowing the Group to decrease interest rate risks.

The following table presents an analysis of interest rate risk. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2015			31 December 2014			31 December 2013		
	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies
ASSETS:									
Financial assets at fair value through profit or loss	5.87	3.24	1.02	5.55	2.22	2.23	5.07	2.12	8.80
Loans and advances to banks and other financial institutions	8.43	2.10	0.87	12.56	2.20	0.53	1.46	0.89	1.18
Loans to customers	11.39	9.04	14.86	10.36	11.53	12.46	11.21	8.32	10.13
Investments available-for-sale and held to maturity	6.11	5.50	8.41	8.70	5.06	8.32	5.84	6.54	7.82
LIABILITIES:									
Loans and advances from banks and other financial institutions	45.16	2.50	-	6.83	1.01	11.20	6.15	3.50	5.08
Customer accounts	5.51	2.65	2.62	5.22	4.54	4.22	5.08	4.26	5.76
Debt securities issued	8.62	6.75	6.88	8.16	7.04	6.89	9.00	7.86	6.88
Other borrowed funds	3.25	-	-	0.87	-	-	7.06	0.48	-
Subordinated debt	8.83	6.78	-	8.27	7.18	-	7.46	7.61	-

The Group uses derivative financial instruments to mitigate the interest rate risk and control the interest rate margin by different types of products. Management monitors the interest rate margin of the Group and believes that the Group is not exposed to significant risk of change in interest rates and related cash flow interest rate risk.

Interest rate risk sensitivity analysis

The Risk Management Department periodically estimates the Group's sensitivity to changes in market interest rates and their influence on the Group's profitability. If necessary, the Risk Management Department suggests decreasing the relevant risk levels to the ALMC of the Group.

In calculating and analyzing sensitivity of net profit of the Group to structural interest rate risk, the Group applies the earnings at risk ratio (EaR). EaR is based on interest rate gap and measures the potential fluctuations in earnings over a given time interval under normal market conditions and based on the following assumptions:

- the period when possible losses are incurred, is one year. One year is viewed as a period, within which the Group may raise new funding or restructure its assets and liabilities with a purpose of returning and keeping its risks level within its risk appetite;
- EaR is calculated based on the assumption that each interest rate gap will be reassessed at a new interest rate.

As at the reporting date, in calculating EaR, as reasonably possible, the Group applied the range of interest rate fluctuations in 200 bp across the yield curve.

The following table presents the sensitivity of the Group's consolidated statement of profit or loss to the above changes to interest rates, in which all other parameters are assumed to be constant:

	31 December 2015 (KZT million)
Earnings at risk (EaR)	
Earnings at risk (EaR) as a result of parallel shift in the yield curve	
Earnings at risk (EaR) as a result of upward movement in rates by 200 bp per 1 year	(2,616)
Earnings at risk (EaR) as a result of downward movement in rates by 200 bp per 1 year	2,616
	31 December 2014 (KZT million)
Earnings at risk (EaR)	
Earnings at risk (EaR) as a result of parallel shift in the yield curve	
Earnings at risk (EaR) as a result of upward movement in rates by 200 bp per 1 year	(9,018)
Earnings at risk (EaR) as a result of downward movement in rates by 200 bp per 1 year	9,018
	31 December 2013 (KZT million)
Earnings at risk (EaR)	
Earnings at risk (EaR) as a result of parallel shift in the yield curve	
Earnings at risk (EaR) as a result of upward movement in rates by 200 bp per 1 year	(5,042)
Earnings at risk (EaR) as a result of downward movement in rates by 200 bp per 1 year	5,042

At the reporting date, the Group's equity is not sensitive to interest rate fluctuations, since the interest rate swaps hedging relationship became ineffective in 2009 and, accordingly, changes in fair value of these instruments are recognized in the consolidated statement of profit or loss.

Liquidity risk

Liquidity risk is the risk that the Group will not have enough funding at reasonable price to meet all cash outflows (on- and off-balance sheet).

The ALMC controls these types of risks by means of weekly liquidity gap analysis and taking appropriate decisions to reduce liquidity risk. Current liquidity is managed by the Treasury Department through deals in the money markets, with placement of available funds in liquid securities in line with instructions of the ALMC.

The Group maintains the compliance to regulatory requirements, including term liquidity ratios and foreign exchange liquidity. The Group considers these requirements to be strict, and, as such, this measure guarantees maintaining appropriate liquidity level.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2015 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	63,338	129,436	24,148	56,040	34,031	20	307,013
Loans and advances to banks and other financial institutions	82,691	140,575	54,580	9,384	5,750	1,786	294,766
Loans to customers	65,523	90,898	409,615	264,421	2,552,115	85	3,382,657
Debt securities included in investments available-for-sale	82	1,340	1,501	17,273	12,028	324	32,548
Investments held to maturity	-	150	629	187,706	17,580	-	206,065
Total interest bearing assets	211,634	362,399	490,473	534,824	2,621,504	2,215	4,223,049
Cash and balances with national (central) banks	121,069	-	-	1	2,835	3	123,908
Precious metals	3,908	-	-	-	-	-	3,908
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	40,288	40,288
Equity securities in the investments available-for-sale	-	-	-	-	-	1,102	1,102
Accrued interest income on interest-bearing assets	26,494	144,958	49,250	248,991	2,036	3	471,732
Other financial assets	6,395	3,553	5,111	2,596	552	1	18,208
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	369,500	510,910	544,834	786,412	2,626,927	43,612	4,882,195
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	79,807	8,400	15,456	1,777	16,000	-	121,440
Customer accounts	203,553	383,112	378,158	1,047,118	513,181	-	2,525,122
Debt securities issued	515	-	99,666	298,452	278,083	-	676,716
Other borrowed funds	-	2,923	7,997	57,630	32,258	-	100,808
Subordinated debt	-	-	49,983	93,592	93,698	40,156	277,429
Total interest bearing liabilities	283,875	394,435	551,260	1,498,569	933,220	40,156	3,701,515
Financial liabilities at fair value through profit or loss	3,125	-	7,901	50,579	408	13,396	75,409
Customer accounts	769,052	-	-	-	-	-	769,052
Dividends payable	-	1	-	-	-	-	1
Accrued interest expense on interest-bearing liabilities	11,213	12,194	18,037	14,087	11	-	55,542

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2015 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Other financial liabilities	8,573	4,648	5,265	1,930	568	-	20,984
TOTAL FINANCIAL LIABILITIES	1,075,838	411,278	582,463	1,565,165	934,207	53,552	4,622,503
Liquidity gap	(706,338)	99,632	(37,629)	(778,753)	1,692,720		
Interest sensitivity gap	(72,241)	(32,036)	(60,787)	(963,745)	1,688,284		
Cumulative interest sensitivity gap	(72,241)	(104,277)	(165,064)	(1,128,809)	559,475		
Cumulative interest sensitivity gap as a percentage of total financial assets and precious metals	(1.5%)	(2.1%)	(3.4%)	(23.1%)	11.5%		
Contingent liabilities and credit commitments	2,907	10,571	37,334	104,436	28,631	15,667	
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	1,921	9,298	10,961	52,419	42,539	-	117,138
Loans and advances to banks and other financial institutions	146,273	11,230	30,993	2,026	17,047	-	207,569
Loans to customers	43,322	25,672	198,178	759,110	372,467	-	1,398,749
Bonds of JSC NWF Samruk-Kazyna	-	-	-	-	647,901	-	647,901
Debt securities included in investments available-for-sale	780	36,277	6,598	23,733	22,176	-	89,564
Investments held to maturity	144	-	958	4,206	12,788	-	18,096
Total interest bearing assets	192,440	82,477	247,688	841,494	1,114,918	-	2,479,017
Cash and balances with national (central) banks	190,990	-	-	-	1,372	-	192,362
Precious metals	2,826	-	-	-	-	-	2,826
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	45,901	45,901
Equity securities in the investments available-for-sale	-	-	-	-	-	3,132	3,132
Accrued interest income on interest-bearing assets	61,452	33,039	360,189	257,467	38,590	-	750,737
Other financial assets	2,803	2,842	7,088	2,968	243	-	15,944
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	450,511	118,358	614,965	1,101,929	1,155,123	49,033	3,489,919
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	85,433	1,057	4,759	2,131	588,003	-	681,383
Customer accounts	152,407	270,111	865,828	134,296	265,584	-	1,688,226
Debt securities issued	349	206	51,918	253,165	103,887	-	409,525
Other borrowed funds	-	-	1,622	50,745	163,825	-	216,192

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Subordinated debt	-	7,013	18,768	74,031	-	21,505	121,317
Total interest bearing liabilities	238,189	278,387	942,895	514,368	1,121,299	21,505	3,116,643
Financial liabilities at fair value through profit or loss	943	1,822	7,359	10,215	452	-	20,791
Customer accounts	559,143	-	-	-	-	-	559,143
Dividends payable	31	-	-	-	-	-	31
Accrued interest expense on interest-bearing liabilities	3,705	8,918	9,616	1,771	3,669	-	27,679
Other financial liabilities	23,872	1,011	2,926	10,422	62	-	38,293
TOTAL FINANCIAL LIABILITIES	825,883	290,138	962,796	536,776	1,125,482	21,505	3,762,580
Liquidity gap	(375,372)	(171,780)	(347,831)	565,153	29,641		
Interest sensitivity gap	(45,749)	(195,910)	(695,207)	327,126	(6,381)		
Cumulative interest sensitivity gap	(45,749)	(241,659)	(936,866)	(609,740)	(616,121)		
Cumulative interest sensitivity gap as a percentage of total financial assets and precious metals	(1.3%)	(6.9%)	(26.8%)	(17.5%)	(17.7%)		
Contingent liabilities and credit commitments	5,717	5,423	25,727	33,997	2,561	168	
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	50	8,924	7,677	60,047	37,722	-	114,420
Loans and advances to banks and other financial institutions	126,770	267	8,535	3,851	82	-	139,505
Loans to customers	83,930	27,306	406,405	664,797	343,511	-	1,525,949
Debt securities included in investments available-for-sale	-	664	706	8,802	8,959	-	19,131
Investments held to maturity	76	836	-	4,927	558	-	6,397
Total interest bearing assets	210,826	37,997	423,323	742,424	390,832	-	1,805,402
Cash and balances with national (central) banks	189,585	-	-	-	2,102	-	191,687
Precious metals	2,491	-	-	-	-	-	2,491
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	5,337	5,337
Equity securities in the investments available-for-sale	-	-	-	-	-	1,493	1,493
Accrued interest income on interest-bearing assets	96,832	32,641	232,473	14,555	1,610	-	378,111
Other financial assets	2,335	487	1,702	1,045	20	-	5,589
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	502,069	71,125	657,498	758,024	394,564	6,830	2,390,110
FINANCIAL LIABILITIES:							

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Loans and advances from banks and other financial institutions	79,259	10	8,530	10,029	-	-	97,828
Customer accounts	135,746	185,093	654,550	177,039	69,969	-	1,222,397
Debt securities issued	144	498	29,779	213,795	2,377	-	246,593
Other borrowed funds	-	-	106	15,003	-	-	15,109
Subordinated debt	-	-	-	97,909	3,143	22,408	123,460
Total interest bearing liabilities	215,149	185,601	692,965	513,775	75,489	22,408	1,705,387
Financial liabilities at fair value through profit or loss	136	1,455	106	-	599	-	2,296
Customer accounts	445,620	-	-	-	-	-	445,620
Dividends payable	6	-	-	-	-	-	6
Accrued interest expense on interest-bearing liabilities	4,363	8,701	8,494	1,333	-	-	22,891
Other financial liabilities	3,711	326	10,268	459	-	-	14,764
TOTAL FINANCIAL LIABILITIES	668,985	196,083	711,833	515,567	76,088	22,408	2,190,964
Liquidity gap	(166,916)	(124,958)	(54,335)	242,457	318,476		
Interest sensitivity gap	(4,323)	(147,604)	(269,642)	228,649	315,343		
Cumulative interest sensitivity gap	(4,323)	(151,927)	(421,569)	(192,920)	122,423		
Cumulative interest sensitivity gap as a percentage of total financial assets and precious metals	(0.2%)	(6.4%)	(17.6%)	(8.1%)	5.1%		
Contingent liabilities and credit commitments	8,032	2,688	19,210	33,660	3,855		61

Based on prior experience, the management of the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over.

A further analysis of the liquidity is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities, which indicates the total remaining contractual payments, including interest payments, which are not recognized in the consolidated statement of financial position under the effective interest rate method. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate yield curves at the end of the reporting period.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2015 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	79,807	8,400	15,456	1,777	16,000	-	121,440
Customer accounts	203,553	383,112	378,158	1,047,118	513,181	-	2,525,122
Debt securities issued	515	-	99,666	298,452	278,083	-	676,716
Other borrowed funds	-	2,923	7,997	57,630	32,258	-	100,808
Subordinated debt	-	-	49,983	93,592	93,698	40,156	277,429
Total interest bearing financial liabilities	283,875	394,435	551,260	1,498,569	933,220	40,156	3,701,515
Financial liabilities at fair value through profit or loss	3,125	-	7,901	50,579	408	13,396	75,409
Customer accounts	769,052	-	-	-	-	-	769,052
Dividend payable	-	1	-	-	-	-	1
Accrued interest expense on interest-bearing liabilities	30,958	29,497	121,571	349,022	272,658	-	803,706
Other financial liabilities	8,573	4,648	5,265	1,930	568	-	20,984
TOTAL FINANCIAL LIABILITIES	1,095,583	428,581	685,997	1,900,100	1,206,854	53,552	5,370,667
Contingent liabilities and other credit commitments	2,907	10,571	37,334	104,436	28,631	15,667	199,546
Derivative financial assets	-	417,982	-	326,980	-	-	744,962
Derivative financial liabilities	-	236,275	-	375,639	-	-	611,914

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2014 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	85,433	1,057	4,759	2,131	588,003	-	681,383
Customer accounts	152,407	270,111	865,828	134,296	265,584	-	1,688,226
Debt securities issued	349	206	51,918	253,165	103,887	-	409,525
Other borrowed funds	-	-	1,622	50,745	163,825	-	216,192
Subordinated debt	-	7,013	18,768	74,031	-	21,505	121,317
Total interest bearing financial liabilities	238,189	278,387	942,895	514,368	1,121,299	21,505	3,116,643
Financial liabilities at fair value through profit or loss	943	1,822	7,359	10,215	452	-	20,791
Customer accounts	559,143	-	-	-	-	-	559,143
Dividend payable	31	-	-	-	-	-	31
Accrued interest expense on interest-bearing liabilities	40,889	65,980	116,532	133,511	279,645	-	636,557
Other financial liabilities	23,872	1,011	2,926	10,422	62	-	38,293
TOTAL FINANCIAL LIABILITIES	863,067	347,200	1,069,712	668,516	1,401,458	21,505	4,371,458
Contingent liabilities and other credit commitments	5,717	5,423	25,727	33,997	2,561	168	73,593
Derivative financial assets	-	-	-	362,854	-	-	362,854
Derivative financial liabilities	-	-	-	372,886	-	-	372,886

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2013 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	79,259	10	8,530	10,029	-	-	97,828
Customer accounts	135,746	185,093	654,550	177,039	69,969	-	1,222,397
Debt securities issued	144	498	29,779	213,795	2,377	-	246,593
Other borrowed funds	-	-	106	15,003	-	-	15,109
Subordinated debt	-	-	-	97,909	3,143	22,408	123,460
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total interest bearing financial liabilities	215,149	185,601	692,965	513,775	75,489	22,408	1,705,387
Financial liabilities at fair value through profit or loss	136	1,455	106	-	599	-	2,296
Customer accounts	445,620	-	-	-	-	-	445,620
Dividends payable	6	-	-	-	-	-	6
Accrued interest expense on interest-bearing liabilities	10,237	24,312	58,315	84,181	24,781	-	201,826
Other financial liabilities	3,711	326	10,268	459	-	-	14,764
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FINANCIAL LIABILITIES	674,859	211,694	761,654	598,415	100,869	22,408	2,369,899
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Contingent liabilities and other credit commitments	8,055	2,717	19,407	33,758	3,878	10,638	78,453
Derivative financial assets	-	-	1,444	137,813	5,188	-	144,445
Derivative financial liabilities	-	-	1,444	129,780	5,188	-	136,412

Market risk

The Group defines market risk as currency, equity, commodity and interest rate risks related to its trading and available-for-sale portfolios, as well as currency positions.

The Risk Management Department measures the risks and generates treasury position reports, which are presented to the ALMC of the Group. The Risk Management Department calculates VaR to measure the market risk on equity, fixed income and currency positions and breaks it down to individual risk factors (currency risk, interest rate risk, equity risk etc.). This allows the Group to analyze exposure to each risk factor and make further decisions to mitigate a particular exposure. For internal reporting purposes, in addition to VaR analysis discussed above, the Group also performs sensitivity analysis on its currency risk and interest rate exposures. This sensitivity analysis is presented in these financial statements.

Currency risk

Currency risk is defined as the risk of taking losses from open currency positions and financial instruments in foreign currencies as a result of changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on its open currency positions and trading portfolio.

The ALMC controls currency risk by managing its open currency positions on the basis of macroeconomic analysis and exchange rate forecasts, which give the Group an opportunity to minimize losses from significant currency fluctuations. Similar to liquidity risk management, the Treasury Department manages open currency positions of the Group using data generated by the Prudentials Monitoring and Credit Reporting Division on a daily basis.

The NBRK sets strict limits on open currency positions. This measure also limits the currency risk. In addition, the Treasury Department uses various hedging strategies including cross currency swaps in order to mitigate currency risks.

Currency risk sensitivity analysis

The Group estimates the possible effect of a 20% fluctuation in foreign currency rates on the consolidated statement of profit or loss and consolidated equity based on the sensitivity analysis of the internally prepared open currency position report, which includes derivative financial instruments.

The analysis is based on the calculation of the impact of possible fluctuations in US dollar, Euro and Russian Rouble currency rates on the consolidated statements of profit or loss and consolidated equity. This is due to the fact that, as at 31 December 2015, these were the main currencies in which the Group had open positions. A 20% fluctuation is determined as a “reasonably possible change in the risk variable” by the management of the Group. All other parameters were assumed to be constant. Negative and positive amounts in the table reflect the potential probable effect on the consolidated statement of profit or loss of such fluctuations.

31 December 2015
(KZT million)

	USD/KZT		EUR/KZT		RUR/KZT	
	+20%	-20%	+20%	-20%	+20%	-20%
Impact on profit or loss before tax	59,153	(59,153)	3,185	(3,185)	499	(499)
Impact on equity	(482)	482	-	-	(42)	42

31 December 2014
(KZT million)

	USD/KZT		EUR/KZT		RUR/KZT	
	+20%	-20%	+20%	-20%	+20%	-20%
Impact on profit or loss before tax	(13,991)	13,991	5,178	(5,178)	1,630	(1,630)
Impact on equity	(311)	311	-	-	(35)	35

31 December 2013
(KZT million)

	USD/KZT		EUR/KZT		RUR/KZT	
	+20%	-20%	+20%	-20%	+20%	-20%
Impact on profit or loss before tax	(14,151)	14,151	4,947	(4,947)	1,213	(1,213)
Impact on equity	17	(17)	-	-	-	-

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key risk factor while all other things held constant. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger impacts should not be extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary depending on any actual market movements, since the Group's financial risk management strategy aims to manage the exposure to market fluctuations. In instances where there are significant or unexpected changes in market conditions, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the risk factors may be different from those shown above.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with a fair degree of certainty; and the assumption that all interest rates move in an identical fashion.

Operational Risk

The Group is exposed to operational risk – the risk of incurred loss resulting from deficiencies or mistakes, which were made by employees, functioning of informational systems and technologies, and also as a result of external events, in the course of execution of internal processes. Nowadays, for effective working the Group uses the following tools of identification and measure of operational risks that are in compliance with the world's best practice:

- Corporate Loss Database on operational risk (CLD);
- Risk Self-Assessment (RSA);
- Operational Risk Assessment Process (ORAP);
- Risk Map;
- Key Risk Indicators (KRI).

Tools on operational risk management make it possible for the Group to identify types of activities, which are more exposed to operational risk, to value and perform monitoring of losses of the Group, which were caused by operational risks, and also to establish corresponding controls and to develop preventive measures for minimization of such risk.

38. SUBSEQUENT EVENTS

On 2 February 2016, the Bank completed the sale of 608,374,602,366 ordinary shares of BTA, representing 99.4187% of total ordinary shares of BTA. The shares of BTA have been sold to the following shareholders of KKB: Mr. Kenes Rakishev: 299,211,380,223 shares (or 49.18% of BTA shares sold); Mr. Nurzhan Subkhanberdin: 299,211,380,223 shares (or 49.18% of BTA shares sold); Minority shareholders of KKB: 9,951,841,920 shares (or 1.64% of BTA shares sold). Upon the sale of BTA shares, KKB ceased to be a shareholder of BTA. Ordinary shares of BTA had been sold in accordance with and based on the offer made to shareholders of KKB with the sale price of KZT 0.00001 per ordinary share.

On 1 April 2016, shareholders and the Board of Directors of the Bank announced an intention to introduce certain changes in the Management Board and the Board of Directors of the Bank to ensure continuity of business and successful implementation of the new corporate strategy of the Bank.

On 11 April 2016, the Bank has repaid debt securities issued in April 2010 for the original amount of KZT 2,338 billion. The debt securities issued were repaid in full from the Bank's own funds.

On 20 April 2016, Mr. Kenes Rakishev reached preliminary agreement with Mr. Nurzhan Subkhanberdin and CAIC on acquisition of ordinary shares of the Bank owned by Mr. Subkhanberdin and CAIC.

Under the terms of this transaction Mr. Kenes Rakishev acquired 115,486,789 ordinary shares from CAIC. As a result, Mr. Rakishev's direct holding in the Bank increased from 28.67% to 43.15%. Total share under control of Mr. Kenes Rakishev, including indirect holding through QFG, is 71.23%.

It is expected that Mr. Kenes Rakishev will purchase remaining ordinary shares of the Bank from Mr. Subkhanberdin and CAIC till the end of the 3rd quarter of 2016 subject to relevant approvals and compliance with other conditions required for such transactions.