Tsesnabank JSC

Consolidated Financial Statements

for the year ended
31 December 2015

Contents

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Independent Auditors' Report

To the Board of Directors of Tsesnabank JSC

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Assel Urdabayeva
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. МФ-0000096 of 27 August 2012

KPMG Audit LLC

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

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

17 March 2016

	Note	2015 KZT'000	2014 KZT'000
Interest income	5	127,243,168	111,897,652
Interest expense	5	(62,898,901)	(54,879,505)
Net interest income		**64,344,267**	**57,018,147**
Fee and commission income	6	8,843,947	9,866,907
Fee and commission expense	7	(2,705,795)	(2,260,413)
Net fee and commission income		**6,138,152**	**7,606,494**
Gross insurance premiums written	8	7,474,350	10,513,669
Written premiums ceded to reinsurers	8	(1,456,325)	(246,868)
Net insurance premiums written		6,018,025	10,266,801
Change in the gross provision for unearned premiums	8	848,905	68,224
Reinsurers' share of change in the gross provision for unearned premiums	8	500,145	(1,758,510)
Net earned insurance premiums		**7,367,075**	**8,576,515**
Insurance claims incurred		(4,078,373)	(4,224,094)
Reinsurers' share of insurance claims incurred		649	44,376
Insurance claims incurred, net of reinsurance	9	(4,077,724)	(4,179,718)
Change in gross insurance contract provisions	9	(484,137)	313,936
Change in reinsurers' share in insurance contract provisions	9	208,101	(594,070)
Net insurance claims incurred		**(4,353,760)**	**(4,459,852)**
Net gain on financial instruments at fair value through profit or loss	10	88,917,897	297,976
Net foreign exchange (loss) gain	11	(71,497,414)	7,995,632
Net gain on available-for-sale financial assets		892	-
Dividend income		419	5,705
Other income		427,116	483,317
Other operating income		**17,848,910**	**8,782,630**
Impairment losses	12	(32,240,396)	(22,657,428)
Personnel expenses	13	(17,771,883)	(15,740,914)
Other general administrative expenses	14	(17,735,138)	(18,364,316)
Other operating expenses		**(67,747,417)**	**(56,762,658)**
Profit before income tax		**23,597,227**	**20,761,276**
Income tax expense	15	(5,534,034)	(4,857,938)
Profit for the year		**18,063,193**	**15,903,338**

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

	Note	2015 KZT'000	2014 KZT'000
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(377,468)	12,387
- Net change in fair value transferred to profit or loss		(892)	-
Total items that are or may be reclassified subsequently to profit or loss		*(378,360)*	*12,387*
Other comprehensive (loss) income for the year		**(378,360)**	**12,387**
Total comprehensive income for the year		**17,684,833**	**15,915,725**
Basic and diluted earnings per ordinary share (in KZT)	35	412	406

The consolidated financial statements as set out on pages 5 to 103 were approved by the management on 17 March 2016 and were signed on its behalf by:

Yakupbayev R.K.
Chairman of the Management Board

Bagautdinova N.M.
Chief Accountant

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

	Note	31 December 2015 KZT'000	31 December 2014 KZT'000
ASSETS			
Cash and cash equivalents	16	185,753,592	142,148,716
Deposits and balances with banks and other financial institutions	17	16,746,306	13,011,071
Financial instruments at fair value through profit or loss	18	56,048,203	8,333,940
Available-for-sale financial assets	19	6,407,744	9,362,119
Loans to customers	20	1,589,510,318	1,060,248,934
Held-to-maturity investments	21	24,655,195	34,728,989
Amounts receivable under reverse repurchase agreements		30,000	380,002
Property, equipment and intangible assets	22	44,314,124	26,112,447
Investment property	23	4,175,900	1,241,153
Insurance premiums and reinsurance assets	24	2,169,100	2,469,935
Long-term assets held for sale	25	3,732,022	124,019
Current tax asset		3,428,720	187,790
Deferred tax asset	15	484,829	28,692
Other assets	26	19,137,281	23,117,267
Total assets		**1,956,593,334**	**1,321,495,074**
LIABILITIES			
Loans from state company	27	32,364,715	23,526,969
Deposits and balances from banks and other financial institutions	28	213,957,693	62,876,779
Financial instruments at fair value through profit or loss	18	16,289,988	-
Current accounts and deposits from customers	29	1,441,771,210	1,010,115,876
Debt securities issued	30	44,712,844	46,690,990
Subordinated debt	31	58,725,364	58,276,784
Insurance contract provisions	32	5,864,471	6,229,239
Deferred tax liability	15	8,889,801	3,901,562
Current tax liability		585,840	43,572
Other liabilities	33	7,914,628	4,812,048
Total liabilities		**1,831,076,554**	**1,216,473,819**
EQUITY			
Share capital	34	58,997,847	59,026,087
Additional paid-in capital		44,432	43,615
Revaluation reserve for available-for-sale financial assets		(390,931)	(12,571)
Reserve for general banking and insurance risks		11,991,541	12,002,883
Dynamic reserve		16,631,209	16,631,209
Retained earnings		35,404,567	17,330,032
Total equity attributable to equity holders of the Group		**122,678,665**	**105,021,255**
Non-controlling interests		2,838,115	-
Total equity		**125,516,780**	**105,021,255**
Total liabilities and equity		**1,956,593,334**	**1,321,495,074**

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

	2015 KZT'000	2014 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	112,278,515	109,352,272
Interest payments	(65,181,713)	(50,477,538)
Fee and commission receipts	8,791,947	9,870,273
Fee and commission payments	(2,497,307)	(2,406,416)
Insurance premiums received	8,483,431	8,611,536
Insurance premiums paid to reinsurers	(1,379,378)	(159,633)
Net insurance claims paid	(4,076,303)	(4,252,037)
Net receipts (payments) from financial instruments at fair value through profit or loss	62,936,398	(3,357,863)
Net receipts from foreign exchange	15,699,745	8,824,991
Dividends received	418	5,676
Other income receipts	234,167	141,944
Personnel and other general administrative expenses	(31,473,740)	(31,284,196)
(Increase) decrease in operating assets		
Deposits and balances with banks and other financial institutions	(17,654,763)	(6,960,569)
Amounts receivable under reverse repurchase agreements	350,002	2,525,002
Financial instruments at fair value through profit or loss	(411,452)	15,859,316
Loans to customers	(34,347,606)	(360,067,621)
Other assets	(2,732,213)	196,407
Increase (decrease) in operating liabilities		
Loans from state company	8,826,484	23,478,203
Deposits and balances from banks and other financial institutions	129,059,255	37,875,078
Current accounts and deposits from customers	(204,414,757)	264,865,871
Amounts payable under repurchase agreements	-	(15,944,006)
Other liabilities	(1,265,743)	(1,051,849)
Net cash (used in) from operating activities before income tax paid	**(18,774,613)**	**5,644,841**
Income tax paid	(3,532,218)	(1,590,833)
Net cash flows (used in) from operating activities	**(22,306,831)**	**4,054,008**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets	(1,297,212)	(4,277,701)
Sale and repayment of available-for-sale financial assets	1,820,824	-
Purchases of held-to-maturity investments	(326,926)	(9,619,145)
Redemption of held-to-maturity investments	10,371,651	3,027,694
Purchases of investment property	-	(1,149,233)
Purchases of property, equipment and intangible assets	(9,773,588)	(8,631,525)
Proceeds from sales of property and equipment and investment property	3,162	202
Proceeds from acquisition of subsidiary net of cash acquired (Note 44)	9,461,393	-
Net cash flows from (used in) investing activities	**10,259,304**	**(20,649,708)**

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

	2015 KZT'000	2014 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Placement of subordinated debt	-	16,268,965
Repayment of subordinated debt	-	(3,001,860)
Placement of debt securities issued	-	31,036,821
Redemption of debt securities	(2,452,633)	(6,019,138)
Proceeds from issuance of shares	-	20,399,830
Re-purchase of treasury shares	(53,506)	(96,266)
Net cash flows (used in) from financing activities	**(2,506,139)**	**58,588,352**
Net (decrease) increase in cash and cash equivalents	**(14,553,666)**	**41,992,652**
Effect of changes in exchange rates on cash and cash equivalents	58,158,542	3,333,733
Cash and cash equivalents as at the beginning of the year	142,148,716	96,822,331
Cash and cash equivalents as at the end of the year (Note 16)	**185,753,592**	**142,148,716**

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

	Attributable to equity holders of the Group								
KZT'000	**Share capital**	**Additional paid-in capital**	**Revaluation reserve for available-for-sale financial assets**	**Reserve for general banking and insurance risks**	**Dynamic reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
Balance as at 1 January 2015	59,026,087	43,615	(12,571)	12,002,883	16,631,209	17,330,032	105,021,255	-	105,021,255
Total comprehensive income									
Profit for the year	-	-	-	-	-	18,063,193	18,063,193	-	18,063,193
Other comprehensive income									
Items that are or may be reclassified subsequently to profit or loss:									
Net change in fair value of available-for-sale financial assets	-	-	(377,468)	-	-	-	(377,468)	-	(377,468)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	(892)	-	-	-	(892)	-	(892)
Total items that are or may be reclassified subsequently to profit or loss	*-*	*-*	*(378,360)*	*-*	*-*	*-*	*(378,360)*		*(378,360)*
Total other comprehensive loss	-	-	(378,360)	-	-	-	(378,360)	-	(378,360)
Total comprehensive income for the year	**-**	**-**	**(378,360)**	**-**	**-**	**18,063,193**	**17,684,833**	**-**	**17,684,833**
Transactions with owners, recorded directly in equity									
Treasury shares acquired	(28,240)	817	-	-	-	-	(27,423)	-	(27,423)
Acquisition of subsidiary	-	-	-	-	-	-	-	2,838,115	2,838,115
Total transactions with owners	**(28,240)**	**817**	**-**	**-**	**-**	**-**	**(27,423)**	**2,838,115**	**2,810,692**
Transfer from mandatory reserve	-	-	-	(11,342)	-	11,342	-	-	-
Balance as at 31 December 2015	**58,997,847**	**44,432**	**(390,931)**	**11,991,541**	**16,631,209**	**35,404,567**	**122,678,665**	**2,838,115**	**125,516,780**

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

KZT'000	Share capital	Additional paid-in capital	Revaluation reserve for available-for-sale financial assets	Reserve for general banking and insurance risks	Dynamic reserve	Retained earnings	Total
Balance as at 1 January 2014	38,634,015	49,082	(24,958)	12,131,875	16,631,209	1,303,316	68,724,539
Total comprehensive income							
Profit for the year	-	-	-	-	-	15,903,338	15,903,338
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets	-	-	12,387	-	-	-	12,387
Total items that are or may be reclassified subsequently to profit or loss	-	-	*12,387*	-	-	-	*12,387*
Total other comprehensive income	-	-	12,387	-	-	-	12,387
Total comprehensive income for the year	**-**	**-**	**12,387**	**-**	**-**	**15,903,338**	**15,915,725**
Transactions with owners, recorded directly in equity							
Shares issued	20,399,830	-	-	-	-	-	20,399,830
Treasury shares acquired	(7,758)	(5,467)	-	-	-	-	(13,225)
Total transactions with owners	**20,392,072**	**(5,467)**	**-**	-	-	**-**	**20,386,605**
Reversal of revaluation reserve for land and buildings	-	-	-	-	-	(5,614)	(5,614)
Transfer from mandatory reserve	-	-	-	(128,992)	-	128,992	-
Balance as at 31 December 2014	**59,026,087**	**43,615**	**(12,571)**	**12,002,883**	**16,631,209**	**17,330,032**	**105,021,255**

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

1 Background

(a) Organisation and operations

These consolidated financial statements include the financial statements of Tsesnabank JSC (the "Bank") and its subsidiaries (together referred to as the "Group"). The subsidiaries include banking, insurance, securities trading and asset management company, a special purpose entity and a debt collection management company.

The Bank was established in the Republic of Kazakhstan as an open joint stock company under the laws of the Republic of Kazakhstan on 17 January 1992. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint stock company on 26 December 2003.

The Bank operates based on general license #1.2.74/74/29 for banking operations and activities on securities market granted on 8 September 2014 by the National Bank of the Republic of Kazakhstan (the "NBRK"). The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by NBRK. The Bank is a member of the state deposit insurance system in Kazakhstan.

On 3 January 2007, the Bank established a subsidiary, Tsesna International B.V., which is a special purpose entity intended to raise funds on international capital markets and make these funds available to the Bank. As at 31 December 2015 and 31 December 2014, the Bank owned 100% of the share capital of Tsesna International B.V.

In accordance with the resolutions of the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations (the "FMSA") #65 and #66 dated 18 May 2010, the Bank was given a permission to purchase a subsidiary, Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant JSC ("Tsesna Garant"). The primary business activity of Tsesna Garant is mandatory and voluntary insurance and re-insurer's services in accordance with the licence #2.1.49 granted on 30 September 2015 by the NBRK.

During the year ended 31 December 2011, the Bank obtained control over Tsesna Capital JSC ("Tsesna Capital"). As at 31 December 2012 the share of ownership of the Bank in Tsesna Capital comprised 76.80% of share capital. In 2013 the Bank acquired the remaining portion of 23.20% of the share capital of Tsesna Capital. Tsesna Capital possesses licences #0001201383 for brokerage and dealing activities in the securities market with the right to manage clients' accounts as a nominal holder and #0003200615 for investment portfolio management activities without the right to attract voluntary pension contributions granted by the NBRK on 24 October 2014.

In accordance with the resolution of the NBRK #329 dated 29 October 2012 the Bank was given permission #2 dated 5 November 2012 to establish a subsidiary company managing doubtful and bad assets of the parent bank Subsidiary Organisation of Tsesnabank JSC OMAD Tsesna LLC ("OMAD Tsesna").The primary business activity of OMAD Tsesna is the purchase of doubtful and bad debts of the parent bank, sale of doubtful and bad assets and lease of own immovable property.

In accordance with resolution of the NBRK #135 dated 17 July 2015 the Group was given permission to purchase a subsidiary in the Russian Federation, Plus Bank PJSC ("Plus Bank"). On 30 September 2015 the Central Bank of the Russian Federation ("CBRF") gave preliminary approval to the Group to acquire 100% of Plus Bank's shares. As at 31 December 2015, the Group owns 67.38% of the ordinary shares of Plus Bank (see Note 44).

As at 31 December 2015, the Bank has 22 branches (31 December 2014: 22) and 143 sub-branches (31 December 2014: 144) from which it conducts business throughout the Republic of Kazakhstan. The registered address of the head office is 24 Syganak Street, Astana, Republic of Kazakhstan. The majority of the Group's assets and liabilities are located in Kazakhstan.

1 Background, continued

(a) Organisation and operations, continued

The subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership % 31 December 2015	Ownership % 31 December 2014
Tsesna International B.V.	Netherlands	Raising funds on international capital markets and making these funds available to the Bank	100.00	100.00
Tsesna Garant	Kazakhstan	Insurance activity	100.00	100.00
Tsesna Capital	Kazakhstan	Brokerage and dealing activity	100.00	100.00
OMAD Tsesna	Kazakhstan	Debt collection	100.00	100.00
Plus Bank	Russian Federation	Banking	67.38	19.97*

* as at 31 December 2014 the Group has 19.97% of shares of Plus Bank included in the available-for-sale financial assets, it was not accounted for as an associate or a subsidiary

At 31 December 2015, Financial Holding Tsesna JSC, APPARATKZ LLC, KINESIOKZ LLC and United Accumulated Pension Fund JSC owned 50.93%, 7.60%, 7.38% and 6.63% of the outstanding common shares of the Bank, respectively (31 December 2014: Financial Holding Tsesna JSC, Tsesna Corporation JSC, APPARATKZ LLC, KINESIOKZ LLC and United Accumulated Pension Fund JSC owned 39.94%, 10.98%, 7.61%, 7.38% and 6.64%). Other shareholders have less than 5% of the outstanding shares each.

(b) Business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes, which together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Kazakhstan. In addition, the recent significant depreciation of the Kazakhstan tenge, and the reduction in the global price of oil, have increased the level of uncertainty in the business environment. The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(c) Move to floating exchange rate

On 20 August 2015, the NBRK announced that the KZT, which had previously been managed within an exchange rate corridor, would float freely against other currencies going forward.

The KZT closed at 255.26 per USD after the announcement, down approximately 36% from the exchange rate quoted in the previous day's morning trading.

As at 31 December 2015 the exchange rates applied by the Group were as follows:

in KZT	31 December 2015	31 December 2014
Per 1 USD	340.01	182.35
Per 1 EUR	371.46	221.59
Per 1 RUB	4.61	3.13

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The functional currency of the Bank and its subsidiaries, except for Plus Bank, is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The functional currency of Plus Bank subsidiary is the Russian ruble.

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

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

(d) Use of estimates and judgments

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

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

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

- loan impairment estimates - Note 20
- insurance contract provisions – Note 32
- estimates of fair value of financial instruments – Note 43.

(e) Changes in accounting policies

New amendments to IFRS became effective from 1 January 2015 and have been adopted by the Group since that date. These changes did not have a significant effect on the consolidated financial statements.

(f) Changes in presentation – prior year reclassification

During the preparation of the Group's consolidated financial statements for the year ended 31 December 2015, management made certain reclassifications affecting the corresponding figures to conform to the presentation of consolidated financial statements for the year ended 31 December 2014.

In the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 insurance acquisition expense in the amount of KZT 620,308 thousand was reclassified from other general administrative expenses to fee and commission expense. Consequently, in the consolidated statement of cash flows for the year ended 31 December 2014 the same reclassification was made in cash flows from operating activities.

Management believes that this presentation is more appropriate presentation in accordance with IFRS and provides a clearer view of the consolidated financial position and performance of the Group.

2 Basis for preparation, continued

(f) Changes in presentation – prior year reclassification, continued

The effect of reclassifications on the corresponding figures can be summarised as follows:

KZT'000	As reclassified	Effect of reclassifications	As previously reported
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014			
Fee and commission expense	(2,260,413)	(620,308)	(1,640,105)
Other general and administrative expenses	(18,364,316)	620,308	(18,984,624)
Consolidated statement of cash flows for the year ended 31 December 2014			
Fee and commission payments	(2,406,416)	(620,308)	(1,786,108)
Personnel and other general and administrative expenses	(31,284,196)	620,308	(31,904,504)

The above reclassifications do not impact the Group's results or equity.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by Group entities.

(a) Basis of consolidation

(i) Business combinations

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

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3 Significant accounting policies, continued

(a) Basis of consolidation, continued

(i) Business combinations, continued

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

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

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Structured entities

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

(iv) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(v) Acquisitions of entities under common control

The assets and liabilities acquired as a result of the acquisition of a controlling interest in an entity that is under the control of the beneficiaries of the Group are recognised at their carrying amounts, as recognised in the individual financial statements of the subsidiary acquired. The difference between the consideration paid for the acquisition and the carrying value of net assets acquired is recognised directly in equity attributable to equity holders of the Group.

(vi) Acquisitions and disposals of non-controlling interests

The Group accounts for the acquisitions and disposals of non-controlling interests as transactions with equity holders in their capacity as equity holders. 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 owners of the parent.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group’s interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

3 Significant accounting policies, continued

(a) Basis of consolidation, continued

(viii) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

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

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Foreign currency

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

(c) Cash and cash equivalents

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

(d) Financial instruments

(i) Classification

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

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

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Classification, continued

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

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

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

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

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

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

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

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

(ii) Recognition

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

(iii) Measurement

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

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

- loans and receivables which are measured at amortised cost using the effective interest method

3 Significant accounting policies, continued

(d) Financial instruments, continued

(iii) Measurement, continued

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

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

(iv) Amortised cost

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

(v) Financial assets or liabilities originated at interest rates different from market rates

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

(vi) Fair value measurement principles

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

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

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

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

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

3 Significant accounting policies, continued

(d) Financial instruments, continued

(vi) Fair value measurement principles, continued

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

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

(vii) Gains and losses on subsequent measurement

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

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

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

(viii) Derecognition

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

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

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

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

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

The Group writes off assets deemed to be uncollectible.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(ix) Repurchase and reverse repurchase agreements

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

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

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

(x) Derivative financial instruments

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

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

Changes in the fair value of derivative financial instruments are recognised immediately in profit or loss.

Derivative financial instruments may be embedded in another contractual arrangement (a host contract). An embedded derivative financial instrument is separated from the host contract and is accounted for as a derivative financial instrument if, and only if the economic characteristics and risks of the embedded derivative financial instrument are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivative financial instruments embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

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

(xi) Offsetting

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

(e) Property and equipment

(i) Owned assets

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

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

3 Significant accounting policies, continued

(e) Property and equipment, continued

(ii) Depreciation

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

- Buildings	25 to 100 years
- Computer equipment	5 to 10 years
- Motor vehicles	7 years
- Other	2 to 20 years.

(f) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life is from 2 to 30 years.

(g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at historical cost.

When the use of a property changes such that it is reclassified as property and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting and presentation in consolidated financial statements.

(h) Impairment

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

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3 Significant accounting policies, continued

(h) Impairment, continued

(i) Financial assets carried at amortised cost

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

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

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

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

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

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

(ii) Financial assets carried at cost

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

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

3 Significant accounting policies, continued

(h) Impairment, continued

(iii) Available-for-sale financial assets

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

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

(iv) Non financial assets

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

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

(i) Provisions

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

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

(j) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees.

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

3 Significant accounting policies, continued

(j) Credit related commitments, continued

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

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

Loan commitments are not recognised, except for the following:

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

(k) Share capital

(i) Ordinary shares

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

(ii) Cumulative non-redeemable preference shares

The component of the cumulative non-redeemable preference shares that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. The corresponding cumulative dividends on those shares are charged as interest expense in the consolidated statement of profit or loss and other comprehensive income. On issuance of the cumulative non-redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on redemption.

(iii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iv) Dividends

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

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

3 Significant accounting policies, continued

(l) Taxation

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

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

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Income and expense recognition

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

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss.

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

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

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

3 Significant accounting policies, continued

(n) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group's operations are highly integrated and constitute two operating business segments for the purposes of IFRS 8 *Operating Segments*: banking and insurance.

(o) Insurance contracts

(i) Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts.

Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as financial instruments.

(ii) Recognition and measurement of contracts

Premiums

General business premiums written comprise the premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums received is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance service received. The portion of outward reinsurance premiums not recognised is treated as a prepayment.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Claims

Claims comprise claims and claim handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted.

3 Significant accounting policies, continued

(o) Insurance contracts, continued

(ii) Recognition and measurement of contracts, continued

Claims, continued

Whilst management considers that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and developments and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(iii) Reinsurance assets

The Group cedes reinsurance in the normal course of business for the purpose of limiting its potential net loss through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only rights under contracts that give rise to significant transfer of insurance risk are accounted for as reinsurance assets. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums for ceded reinsurance are recognised as an expense on a basis that is consistent with the recognition basis for the premiums on the related insurance contracts. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

The net amounts paid to a reinsurer at the inception of a contract may be less than the reinsurance assets recognised by the Group in respect of its rights under such contracts.

The amounts recognised as reinsurance assets are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts.

Reinsurance assets include recoveries due from reinsurance companies in respect of claims paid. These are classified as reinsurers' share in insurance contract provisions in the consolidated statement of financial position.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(iv) Insurance acquisition costs

Acquisition costs include direct costs such as commissions paid to insurance agents and brokers and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies.

Insurance acquisition costs are expensed as incurred.

3 Significant accounting policies, continued

(o) Insurance contracts, continued

(v) Liability adequacy test

At each reporting date, liability adequacy tests are performed to determine if the insurance contract provisions are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the insurance contract provisions are used in performing these tests.

If a shortfall is identified an additional provision is established. The deficiency is recognised in profit or loss for the year.

(vi) Insurance receivables and payables

Amounts due to and from policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of the new standards on its financial position or performance.

- IFRS 9 *Financial Instruments* published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The Group has not yet completed the process of evaluating the impact of these changes. The Group does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.

- IFRS 16 *Leases* replaces the current guidance for the lease accounting, including IAS 17 Leases, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The new standard cancels a currently used dual lessee accounting model. This model requires classification of the lease as on-balance finance lease and off-balance operating lease. It will be replaced by a single accounting model, which implies that the lease is recognised on balance and is similar to the current accounting of the finance lease.

  For lessors the currently used accounting rules will be preserved in general – the lessors will continue classifying the lease as finance lease and operating lease. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted provided that IFRS 15 *Revenue from Contracts with Customers* is also applied. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Insurance risk management

The Group issues contracts that transfer insurance risk. This section summarises these risks and the way the Group manages them.

(a) Risk management objectives and policies for mitigating insurance risk

The Group's management of insurance is a critical aspect of the business. For insurance contracts, the objective is to select assets with duration and a maturity value which match the expected cash flows from the claims on those portfolios.

The primary insurance and reinsurance activity carried out by the Group assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, accident, cargo, health, financial or other perils that may arise from an insurable event. As such the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Group manages its insurance risk through underwriting limits; approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

The theory of probability is applied to the pricing and provisioning for insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

(i) Underwriting strategy

The Group's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is set out in the business plan that sets out the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Group is prepared to underwrite. The strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to enforce appropriate risk selection within the portfolio.

Calculation of the tariffs and prices on insurance product reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.

Adherence to the underwriting authorities is being monitored by management on an on-going basis. Those transactions requiring special authorisation are subject to the special attention of the Board of Directors of Tsesna Garant.

(ii) Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Group buys facultative and Excess-of-Loss (XL) based reinsurance to reduce the net exposure and not to exceed the actual margin of solvency.

Ceded reinsurance contains credit risk, and such reinsurance recoveries are reported after deductions for known insolvencies and uncollectible items. The Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

The Group does not utilise any stop-loss reinsurance.

(b) Terms and conditions of insurance contracts and nature of risks covered

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Group's main products and the ways in which it manages the associated risks.

4 Insurance risk management, continued

(b) Terms and conditions of insurance contracts and nature of risks covered, continued

(i) Insurance contracts – Vehicles owner's civil liability and general civil liability

Product features

The Group undertakes general civil liability insurance on compulsory and voluntary types of insurance in the Republic of Kazakhstan, and vehicles owner's civil liability on compulsory types of insurance in the Republic of Kazakhstan. Under these contracts policyholders are reimbursed for any monetary compensation awards paid for the injury caused to body, life, health and (or) property of the third parties. General civil liability is generally considered a 'long tail' line, as it takes a relatively long period of time to finalise and settle claims for a given accident year.

Risk management

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky. Insurance risk is managed primarily through appropriate pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

(ii) Insurance contracts – Property

Product features

Property insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage to its own material property and business interruption arising from this damage.

The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (such as a fire or burglary) and the cause is readily determinable. The claim will thus be notified promptly and can be settled without delay. Property business is therefore classified as 'short-tail', contrasted with 'long-tail' classes where the ultimate claim cost takes longer to determine.

Risk management

The key risks associated with this product are underwriting risk, competitive risk, and claims experience risk.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the different properties it insures. For private property insurance, it is expected that there will be large numbers of properties with similar risk profiles. However, for commercial business this may not be the case. Many commercial property proposals comprise a unique combination of location, type of business, and safety measures in place. Calculating a premium commensurate with the risk for these policies will be subjective, and hence risky.

Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a property portfolio.

Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

4 Insurance risk management, continued

(b) Terms and conditions of insurance contracts and nature of risks covered, continued

(iii) Insurance contracts – Cargo

Product features

The Group writes cargo insurance. Cargo insurance indemnifies, subject to any limits or excesses, the policyholder against loss or damage of cargo during transportation to the buyers. The return to shareholders under this product arises from the total premiums charged to policyholders less the amounts paid to cover claims and the expenses incurred by the Group. The event giving rise to a claim could be characterised as "low effect – high frequency" and the cause is readily determinable. The claim will thus be notified promptly and can be settled without delay. Cargo business is therefore classified as 'short-tail'.

Risk management

The key risks associated with this product are underwriting risk, competitive risk and claims experience risk. The Group will also be exposed to the risk of dishonest actions by policyholders.

Underwriting risk is the risk that the Group does not charge premiums appropriate for the different routes it insures. The risk on any policy will vary according to many factors such as route and destination, safety measures of the carrier, nature of cargo etc. Many commercial cargo proposals will comprise a unique combination of route and destination, type of cargo, and safety measures accepted by carriers. Calculating a premium commensurate with the risk for these policies will be subjective.

Cargo classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a cargo portfolio. Insurance risk is managed primarily through appropriate pricing, product design, risk selection and reinsurance. The Group therefore monitors and reacts to changes in the general economic and commercial environment in which it operates. Within the insurance process, it is unlikely that concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Cargo supplies are generally made by limited batches and various supplies are not connected.

(c) Concentration of insurance risk

A key aspect of the insurance risk faced by the Group is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contracts tranche.

Concentrations of risk can arise in both high-severity, low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography or demographic trend.

The Group's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed. Secondly, the risk is managed through the use of reinsurance. The Group purchases reinsurance coverage for various classes of its liability and property business. The Group assesses the costs and benefits associated with the reinsurance programme on an ongoing basis.

(d) Total aggregate exposures

The Group sets out the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures both at the time of underwriting a risk, and on a monthly basis by reviewing reports which show the key aggregations to which the Group is exposed. The Group uses a number of modelling tools to monitor aggregation in order to measure the effectiveness of the reinsurance programmes and the net exposure to which the Group is exposed.

4 Insurance risk management, continued

(d) Total aggregate exposures, continued

As at 31 December 2015 the Group has 579,467 insurance agreements in force (31 December 2014: 677,054).

(i) Exposure to various business lines

The key concentrations identified as at 31 December 2015 are:

Insurance type	Total insured amount KZT'000	Reinsurance amount KZT'000	Net retention (after reinsurance) KZT'000
Vehicles owner's liability – obligatory	2,150,281,710	-	2,150,281,710
Civil liability of passenger carrier – obligatory	248,698,562	1,525,913	247,172,649
Property – voluntary	266,025,660	126,512,673	139,512,987
Transport and cargo – voluntary	156,156,681	74,115,444	82,041,237
General civil liability – voluntary	59,647,516	29,707,512	29,940,004
Other obligatory	45,264,215	9,678,981	35,585,234
Other voluntary	6,252,149	459,900	5,792,249
Casualty – voluntary	2,259,129	161,761	2,097,368
Financial losses liability – voluntary	15,944,301	15,403,176	541,125
Total	**2,950,529,923**	**257,565,360**	**2,692,964,563**

The key concentrations identified as at 31 December 2014 are:

Insurance type	Total insured amount KZT'000	Reinsurance amount KZT'000	Net retention (after reinsurance) KZT'000
Vehicles owner's liability – obligatory	2,400,179,736	-	2,400,179,736
Civil liability of passenger carrier – obligatory	361,436,265	3,232,203	358,204,062
Transport and cargo – voluntary	135,840,773	13,271,088	122,569,685
Property – voluntary	186,583,633	65,527,185	121,056,448
General civil liability – voluntary	105,581,027	80,336,774	25,244,253
Other obligatory	32,169,389	8,439,203	23,730,186
Other voluntary	6,778,190	149,504	6,628,686
Casualty – voluntary	4,627,854	2,041,671	2,586,183
Financial losses liability – voluntary	12,402,583	11,992,706	409,877
Total	**3,245,599,450**	**184,990,334**	**3,060,609,116**

(ii) Exposure by other countries

The Group is not exposed to risks in any countries other than the Republic of Kazakhstan, as the Group has no insurance contracts covering risk outside the Republic of Kazakhstan.

(iii) Exposure to catastrophe events

The greatest likelihood of significant losses to the Group arises from catastrophic events, such as earthquake damage, resulting from an earthquake in Almaty. The Group does not possess catastrophe modelling techniques and software facilitating modelling of Probable Maximum Loss (PML). However, the Group made an estimate of its losses that it believes will not exceed 20% of total aggregate exposure.

The key concentration identified is:

Catastrophe events	Total insurance amount '000 KZT	Estimated PML (before reinsurance) '000 KZT	Net retention (after reinsurance) '000 KZT
Almaty earthquake with magnitude exceeding seven points under Richter scale	24,781,760	4,956,352	4,956,352

4 Insurance risk management, continued

(e) Claims development

The Group uses statistical methods for insurance contract provisioning. Uncertainty about the amount and timing of claims payment for all insurance contracts is typically resolved within one year.

While the information in the table provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, users of these consolidated financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances. The Group believes that the estimate of total claims outstanding as at 31 December 2015 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Analysis of claims development (gross) – total

	Accident year				
KZT'000	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of cumulative claims					
At end of accident year	1,536,953	3,776,419	3,809,449	4,084,051	4,084,051
- one year later	1,430,556	3,760,676	4,266,344	-	4,266,344
- two years later	1,492,248	3,798,045	-	-	3,798,045
- three years later	1,525,095	-	-	-	1,525,095
Estimate of cumulative claims	**1,525,095**	**3,798,045**	**4,266,344**	**4,084,051**	**13,673,535**
Cumulative payments to date	(1,515,403)	(3,771,632)	(4,185,629)	(2,619,082)	(12,091,746)
Gross outstanding claims liabilities	**9,692**	**26,413**	**80,715**	**1,464,969**	**1,581,789**

Analysis of claims development (gross) – Vehicle owner's civil liability

	Accident year				
KZT'000	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of cumulative claims					
At end of accident year	1,209,012	2,769,209	2,641,701	2,877,953	2,877,953
- one year later	1,092,515	2,796,574	3,006,670	-	3,006,670
- two years later	1,073,611	2,809,844	-	-	2,809,844
- three years later	1,078,755	-	-	-	1,078,755
Estimate of cumulative claims	**1,078,755**	**2,809,844**	**3,006,670**	**2,877,953**	**9,773,222**
Cumulative payments to date	(1,075,558)	(2,802,595)	(2,950,338)	(2,004,498)	(8,832,989)
Gross outstanding claims liabilities	**3,197**	**7,249**	**56,332**	**873,455**	**940,233**

5 Net interest income

	2015 KZT'000	2014 KZT'000
Interest income		
Loans to customers	123,403,482	107,764,729
Held-to-maturity investments	1,479,471	1,461,752
Deposits and balances with banks and other financial institutions	1,032,623	812,840
Amounts receivable under reverse repurchase agreements	405,802	668,711
Available-for-sale financial assets	341,457	182,428
Financial instruments at fair value through profit or loss	313,695	438,006
Cash and cash equivalents	254,851	569,186
Other assets	11,787	-
	127,243,168	**111,897,652**
Interest expense		
Current accounts and deposits from customers	(47,566,734)	(45,268,449)
Subordinated debt	(5,474,975)	(4,375,471)
Deposits and balances from banks and other financial institutions	(4,078,863)	(2,235,507)
Debt securities issued	(4,073,362)	(2,351,561)
Loans from state company	(1,343,591)	(546,504)
Amounts payable under repurchase agreements	(361,376)	(102,013)
	(62,898,901)	**(54,879,505)**
	64,344,267	**57,018,147**

Included within various line items under interest income for the year ended 31 December 2015 is a total of KZT 7,400,671 thousand (31 December 2014: KZT 5,517,515 thousand) accrued on impaired financial assets.

Included in interest income on financial instruments at fair value through profit or loss for the year ended 31 December 2015 is a total of KZT 313,695 thousand (31 December 2014: KZT 438,006 thousand) recognised on financial assets at fair value through profit or loss held for trading.

Interest income and expense calculated using the effective interest method and relating to financial assets or liabilities not carried at fair value through profit of loss is KZT 126,929,473 thousand (31 December 2014: KZT 111,459,646 thousand) and KZT 62,898,901 thousand (31 December 2014: KZT 54,879,505 thousand), respectively.

6 Fee and commission income

	2015 KZT'000	2014 KZT'000
Transfer operations	2,678,931	2,647,139
Guarantee and letter of credit issuance fees	1,718,968	2,394,572
Cash withdrawal fees	1,753,761	1,858,708
Settlement fees	1,045,262	1,094,895
Foreign exchange fees	848,788	1,127,255
Cash collection fees	61,683	53,672
Commission for the safe deposit operations	53,392	41,915
Other	683,162	648,751
	8,843,947	**9,866,907**

7 Fee and commission expense

	2015 KZT'000	2014 KZT'000
Insurance acquisition costs	1,963,121	1,420,330
Client card account maintenance fees	341,267	311,611
Transfer operations	157,138	147,053
Agents' services	34,776	64,259
Commission expenses on guarantees issued	64,427	61,705
Brokers' and insurance agents' services	62,341	75,056
Commission expense on received deposits	15,342	78,987
Commission expenses on credit letters	10,451	30,747
Other	56,932	70,665
	2,705,795	**2,260,413**

8 Net earned insurance premiums

	Obligatory		Voluntary				
2015 KZT'000	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Civil liability**	**Transport and cargo**	**Other voluntary**	**Total**
Gross premiums written	4,846,451	355,280	1,089,801	212,848	611,345	358,625	7,474,350
Change in the gross provision for unearned premiums	231,829	(24,371)	(253,063)	(8,023)	898,565	3,968	848,905
Gross earned premiums	**5,078,280**	**330,909**	**836,738**	**204,825**	**1,509,910**	**362,593**	**8,323,255**
Less: written premiums ceded to reinsurers	(110)	(11,413)	(698,829)	(48,141)	(581,498)	(116,334)	(1,456,325)
Reinsurers' share of change in the gross provision for unearned premiums	-	4,448	262,698	5,339	149,250	78,410	500,145
Ceded earned premiums	**(110)**	**(6,965)**	**(436,131)**	**(42,802)**	**(432,248)**	**(37,924)**	**(956,180)**
Net earned premiums	**5,078,170**	**323,944**	**400,607**	**162,023**	**1,077,662**	**324,669**	**7,367,075**

	Obligatory		Voluntary				
2014 KZT'000	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Civil liability**	**Transport and cargo**	**Other voluntary**	**Total**
Gross premiums written	4,938,263	342,031	825,570	1,018,128	2,246,890	1,142,787	10,513,669
Change in the gross provision for unearned premiums	261,937	29,027	136,642	(5,167)	(252,707)	(101,508)	68,224
Gross earned premiums	**5,200,200**	**371,058**	**962,212**	**1,012,961**	**1,994,183**	**1,041,279**	**10,581,893**
Less: written premiums ceded to reinsurers	-	(5,420)	(78,263)	(22,154)	(108,841)	(32,190)	(246,868)
Reinsurers' share of change in the gross provision for unearned premiums	(1,751,155)	2,783	(4,975)	13,951	(27,657)	8,543	(1,758,510)
Ceded earned premiums	**(1,751,155)**	**(2,637)**	**(83,238)**	**(8,203)**	**(136,498)**	**(23,647)**	**(2,005,378)**
Net earned premiums	**3,449,045**	**368,421**	**878,974**	**1,004,758**	**1,857,685**	**1,017,632**	**8,576,515**

9 Net insurance claims incurred

2015 KZT'000	Obligatory: Vehicle owner's liability	Obligatory: Other obligatory	Voluntary: Property	Voluntary: Civil liability	Voluntary: Transport and cargo	Voluntary: Other voluntary	Total
Insurance claims incurred, net of reinsurance	(3,028,491)	(13,195)	(14,169)	(43,445)	(594,829)	(383,595)	(4,077,724)
Change in provisions for incurred but not reported claims	(145,294)	(16,472)	(209,029)	(35,280)	(34,281)	8,854	(431,502)
Change in provisions for reported but not settled claims	(76,961)	1,488	-	215	18,598	4,025	(52,635)
Change in reinsurers' share in claims provisions	-	428	139,766	9,628	47,728	10,551	208,101
Change in net insurance contract provisions	**(222,255)**	**(14,556)**	**(69,263)**	**(25,437)**	**32,045**	**23,430**	**(276,036)**
Net insurance claims incurred	**(3,250,746)**	**(27,751)**	**(83,432)**	**(68,882)**	**(562,784)**	**(360,165)**	**(4,353,760)**

2014 KZT'000	Obligatory: Vehicle owner's liability	Obligatory: Other obligatory	Voluntary: Property	Voluntary: Civil liability	Voluntary: Transport and cargo	Voluntary: Other voluntary	Total
Insurance claims incurred, net of reinsurance	(2,902,484)	(101,012)	(10,845)	(42,673)	(669,427)	(453,277)	(4,179,718)
Change in provisions for incurred but not reported claims	226,566	(26,777)	58,871	107,416	1,087	(52,019)	315,144
Change in provisions for reported but not settled claims	(23,823)	19,029	2,481	14,752	(16,706)	3,059	(1,208)
Change in reinsurers' share in claims provisions	(595,912)	164	-	-	1,365	313	(594,070)
Change in net insurance contract provisions	**(393,169)**	**(7,584)**	**61,352**	**122,168**	**(14,254)**	**(48,647)**	**(280,134)**
Net insurance claims incurred	**(3,295,653)**	**(108,596)**	**50,507**	**79,495**	**(683,681)**	**(501,924)**	**(4,459,852)**

10 Net gain on financial instruments at fair value through profit or loss

	2015 KZT'000	2014 KZT'000
Derivative financial instruments	88,810,214	316,163
Equity financial instruments	3,781	16,695
Debt financial instruments	103,902	(34,882)
	88,917,897	**297,976**

Included in net gain on financial instruments at fair value through profit or loss for the year ended 31 December 2015 is a total gain of KZT 88,917,897 thousand (2014: gain of KZT 297,976 thousand) recognised on financial assets held for trading.

During 2015, net gain on derivative financial instruments comprise the unrealised gain from revaluation in the amount of KZT 43,150,948 thousand and realised gain constituted KZT 61,786,985 thousand on the NBRK swap agreements (2014: the unrealised gain from revaluation was KZT 693,910 thousand and realised loss was KZT 368,321 thousand), as well as the unrealised loss from revaluation amounting to KZT 16,277,788 thousand and the realised gain in the amount of KZT 150,069 thousand on other currency swap agreements concluded with other counterparties (2014: the unrealised loss from revaluation was KZT 12,200 thousand and realised gain was KZT 2,774 thousand).

11 Net foreign exchange (loss) gain

	31 December 2015 KZT'000	31 December 2014 KZT'000
Gain on spot transactions and derivatives	15,721,974	8,812,315
Loss from revaluation of financial assets and liabilities	(87,219,388)	(816,683)
	(71,497,414)	**7,995,632**

12 Impairment losses

	2015 KZT'000	2014 KZT'000
Loans to customers (Note 20)	30,784,845	21,371,113
Insurance premiums and reinsurance assets (Note 24)	672,466	80,542
Investment property (Note 23)	172,261	-
Property, equipment and intangible assets (Note 22)	37,231	-
Other assets (Note 26)	573,593	1,205,773
	32,240,396	**22,657,428**

13 Personnel expenses

	2015 KZT'000	2014 KZT'000
Employee compensation	16,248,845	14,307,388
Social contributions and payroll related taxes	1,523,038	1,433,526
	17,771,883	**15,740,914**

14 Other general administrative expenses

	2015 KZT'000	2014 KZT'000
Occupancy	3,586,561	3,831,185
Depreciation and amortisation	2,761,264	2,003,445
Contributions to deposit and insurance guarantee fund	1,913,411	2,205,472
Transportation	1,642,409	1,176,850
Repairs and maintenance	1,180,347	1,096,733
Taxes other than on income	1,123,915	1,230,637
Advertising and marketing	817,624	1,266,385
Security	737,043	660,024
Communications and information services	599,933	475,345
Professional services	489,570	378,370
Stationery and office equipment supplies	425,906	376,200
Travel expenses	277,622	367,718
Encashment expenses	200,965	189,869
Post and courier services	77,404	81,627
Recruitment and training	49,340	42,687
Insurance	31,958	11,860
Other	1,819,866	2,969,909
	17,735,138	**18,364,316**

15 Income tax expense

	2015 KZT'000	2014 KZT'000
Current tax expense		
Current year	(592,050)	(4,325,305)
Effect of retrospective changes in tax legislation	-	1,088,720
Underprovided in prior periods	(36,301)	(332,220)
	(628,351)	**(3,568,805)**
Deferred tax expense		
Origination and reversal of temporary differences	(4,905,683)	(1,289,133)
Total income tax expense	**(5,534,034)**	**(4,857,938)**

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

15 Income tax expense, continued

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

	2015 KZT'000	%	2014 KZT'000	%
Profit before income tax	**23,597,227**	**100.0**	**20,761,276**	**100.0**
Income tax at the applicable tax rate	(4,719,445)	(20.0)	(4,152,255)	(20.0)
Underprovided in prior periods	(36,301)	(0.2)	(332,220)	(1.6)
Non-taxable income	(778,288)	(3.3)	(373,463)	(1.8)
	(5,534,034)	**(23.5)**	**(4,857,938)**	**(23.4)**

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as at 31 December 2015 and 31 December 2014. Deferred tax assets in respect of tax losses carried forward are recognised in these consolidated financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

These deductible temporary differences do not expire under current tax legislation. The tax losses carried forward expire in ten years after the date of origination.

Movements in temporary differences during the years ended 31 December 2015 and 2014 are presented as follows.

KZT'000	Balance 1 January 2015	Recognised in profit or loss	Acquisition of subsidiary	Balance 31 December 2015
Loans to customers	(3,326,242)	-	766,532	(2,559,710)
Property, equipment and intangible assets	(1,012,986)	(351,468)	(337,249)	(1,701,703)
Deposits and balances with banks and other financial institutions	-	-	156,855	156,855
Financial instruments at fair value through profit or loss	-	-	(81,316)	(81,316)
Investment property	-	(1,157)	(207,012)	(208,169)
Long term assets held for sale	-	-	27,992	27,992
Other assets	-	61	(47,252)	(47,191)
Interest payable on deposits and balances from banks and other financial institutions	122,949	(38,743)	-	84,206
Interest payable on current accounts and deposits from customers	40,051	(31,527)	-	8,524
Unrealised revaluation of currency swap agreements	-	(5,374,632)	-	(5,374,632)
Other liabilities	246,567	271,065	95,031	612,663
Tax losses carried forward	56,791	620,718	-	677,509
	(3,872,870)	**(4,905,683)**	**373,581**	**(8,404,972)**
Including:				
Deferred tax asset	**28,692**	**82,556**	**373,581**	**484,829**
Deferred tax liability	**(3,901,562)**	**(4,988,239)**	**-**	**(8,889,801)**

15 Income tax expense, continued

Deferred tax asset and liability, continued

KZT'000	Balance 1 January 2014	Recognised in profit or loss	Balance 31 December 2014
Loans to customers	(3,326,242)	-	(3,326,242)
Property, equipment and intangible assets	(609,355)	(403,631)	(1,012,986)
Interest payable on deposits and balances from banks and other financial institutions	56,657	66,292	122,949
Interest payable on current accounts and deposits from customers	850,284	(810,233)	40,051
Interest payable on repurchase agreements	382	(382)	-
Interest payable on debt securities issued	72,045	(72,045)	-
Interest payable on subordinated debt	197,186	(197,186)	-
Other liabilities	105,834	140,733	246,567
Tax losses carried forward	69,472	(12,681)	56,791
	(2,583,737)	**(1,289,133)**	**(3,872,870)**
Including:			
Deferred tax asset	**10,475**	**18,217**	**28,692**
Deferred tax liability	**(2,594,212)**	**(1,307,350)**	**(3,901,562)**

16 Cash and cash equivalents

	31 December 2015 KZT'000	31 December 2014 KZT'000
Cash on hand	**48,769,399**	**32,412,169**
Nostro accounts with the NBRK	**120,997,942**	**64,928,468**
Nostro accounts with the CBRF	**2,989,078**	**-**
Nostro accounts with other banks		
- rated AA- to AA+	766,755	29,422,285
- rated A- to A+	78,832	2,711,122
- rated from BBB- to BBB+	7,629,464	592,892
- rated from BB- to BB+	988,958	358,246
- rated from B- to B+	122,170	456,737
- rated from CCC- to CCC+	273,986	-
- not rated	959,690	208,996
Total nostro accounts with other banks	**10,819,855**	**33,750,278**
Current accounts and term deposits with other banks		
- rated A- to A+	7,075	13,868
- rated from BB- to BB+	397	1,596
- rated from B- to B+	2,048,974	10,957,007
- rated from CCC- to CCC+	16,596	-
- not rated	104,276	85,330
Total current accounts and term deposits with other banks	**2,177,318**	**11,057,801**
Total cash and cash equivalents	**185,753,592**	**142,148,716**

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

None of cash and cash equivalents are impaired or past due.

As at 31 December 2015, the Group has one bank (31 December 2014: three banks), whose balance exceeds 10% of equity. The gross value of these balances as at 31 December 2015 is KZT 120,997,942 thousand (31 December 2014: KZT 105,213,068 thousand).

16 Cash and cash equivalents, continued

Minimum reserve requirements

As at 31 December 2015 minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand not exceeding 70% of the estimated minimum reserve requirements and balances on current account with the NBRK for a 4-week period (31 December 2014: as average of cash on hand and balances on current account with the NBRK for a two-week period) calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other Group liabilities. As at 31 December 2015, the minimum reserve is KZT 12,828,850 thousand (31 December 2014: KZT 12,043,308 thousand), and the reserve asset is KZT 19,519,450 thousand (31 December 2014: KZT 21,272,996 thousand).

17 Deposits and balances with banks and other financial institutions

	31 December 2015 KZT'000	31 December 2014 KZT'000
Mandatory reserves in CBRF	**609,539**	**-**
Loans and deposits		
- conditional deposit with NBRK	10,201,923	3,672,281
- rated from BBB- to BBB+	-	984,850
- rated from BB- to BB+	932,658	656,894
- rated below B+	4,256,117	2,272,679
- not rated	13,000	5,424,367
- defaulted	48,130	48,130
Total loans and deposits	**16,061,367**	**13,059,201**
Impairment allowance	(48,130)	(48,130)
Total loans and deposits	**16,013,237**	**13,011,071**
Derivative financial instruments		
Foreign currency contracts	733,069	**-**
Net deposits and balances with banks and other financial institutions	**16,746,306**	**13,011,071**

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

Overdue or impaired deposits and balances with banks and other financial institutions comprise deposits and balances with banks and other financial institutions overdue for more than 360 days of KZT 48,130 thousand (31 December 2014: overdue for more than 360 days of KZT 48,130 thousand).

Conditional deposit with NBRK consists of funds of KZT 1,000,128 thousand (31 December 2014: KZT 3,000,000 thousand) received from Development Bank of Kazakhstan JSC (DBK) in accordance with the loan agreement with DBK and funds of KZT 9,201,795 thousand (31 December 2014: KZT 672,281 thousand) received from Entrepreneurship Development Fund DAMU JSC (Damu) in accordance with the loan agreement with Damu. Funds will be distributed to corporate clients on preferential terms. These funds may be withdrawn from the conditional deposit only after approval of DBK and Damu, respectively.

The amount of loans and deposits with not rated banks does not include subordinated debt (31 December 2014: KZT 2,009,312 thousand).

Concentration of deposits and balances with banks and other financial institutions

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

18 Financial instruments at fair value through profit or loss

	31 December 2015 KZT'000	31 December 2014 KZT'000
ASSETS		
Held by the Group		
Debt and other fixed-income instruments		
- Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	600,848	1,953,399
Coupon bonds of the Ministry of Finance of the Russian Federation	28,402	-
Total government bonds	**629,250**	**1,953,399**
- Corporate bonds		
rated from BBB- to BBB+	4,272,411	2,288,064
rated from BB- to BB+	4,302,436	281,961
rated from B- to B+	983,313	120,176
not rated	-	3,667
Total corporate bonds	**9,558,160**	**2,693,868**
Equity investments		
Corporate shares	4,322	7,920
American and Global depository receipts	2,647	510
Exchange-Traded Fund	3,314	-
Total equity investments	**10,283**	**8,430**
Derivative financial instruments		
Foreign currency contracts	45,850,510	3,678,243
	56,048,203	**8,333,940**
LIABILITIES		
Derivative financial instruments		
Foreign currency contracts	16,289,988	-
	16,289,988	**-**

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

As at 31 December 2015 and 31 December 2014 financial instruments at fair value through profit or loss are held for trading.

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

Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of the foreign currency swap contracts outstanding at 31 December 2015 and 31 December 2014 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resulted unrealised gains and losses on these non-matured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

In 2014 and 2015, the Group concluded contracts on cross-currency interest rate swaps with Damu and with NBRK for the total notional amount of USD 164,200,000 as part of the investment program for small and medium enterprises (SME) development implemented by Damu jointly with Asian Development Bank.

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

Foreign currency contracts, continued

Type of instrument	Notional amount	Maturity	Weighted average contractual exchange rates	Amounts payable by Group	Amounts receivable by Group	Fair value Asset KZT'000
31 December 2015						
Cross-currency interest rate swaps with the NBRK (less than 1 year)	USD 432,000,000	January – June 2016	277.80	Fixed prepayment* of 3% per year and KZT 120,011,160 thousand at maturity	USD 432,000,000 at maturity	28,008,785
Cross-currency interest rate swaps with the NBRK (5-year)	USD 164,200,000	September 2019, August 2020	240.80	Fixed prepayment* of 3% per year and KZT 39,539,654 thousand at maturity	USD 164,200,000 at maturity	17,841,725
Cross-currency interest rate swaps with Damu (5-year)	KZT 39,539,654 thousand	September 2019, August 2020	240.80	USD 164,200,000 at maturity	Fixed interest rate of 3% per year and KZT 39,539,654 thousand	(16,289,988)
						29,560,522

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

Foreign currency contracts, continued

Type of instrument	**Notional amount**	**Maturity**	**Weighted average contractual exchange rates**	**Amounts payable by Group**	**Amounts receivable by Group**	**Fair value Asset KZT'000**
31 December 2014						
Cross-currency interest rate swaps with the NBRK (less than 1 year)	USD 604,440,000	October – December 2015	181.22	Fixed prepayment* of 3% per year and KZT 109,537,924 thousand at maturity	USD 604,440,000 at maturity	3,344,834
Cross-currency interest rate swaps with the NBRK (5-year)	USD 61,000,000	September 2019	182.15	Fixed prepayment* of 3% per year and KZT 11,111,150 thousand at maturity	USD 61,000,000 at maturity	339,056
Cross-currency interest rate swap with Damu (less than 1 year)	KZT 444,934 thousand	29 December 2015	182.35	USD 2,440,000 at maturity	Fixed interest rate of 3% per year and KZT 444,934 thousand at maturity	74
Cross-currency interest rate swap with Damu (5-year)	KZT 11,111,150 thousand	September 2019	182.15	USD 61,000,000 at maturity	Fixed interest rate of 3% per year and KZT 11,111,150 thousand at maturity	(5,721)
						3,678,243

* Prepayment is calculated based on the USD notional amount of the deal and paid in USD

19 Available-for-sale financial assets

	31 December 2015 KZT'000	31 December 2014 KZT'000
Debt instruments		
Government bonds		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3,183,623	3,431,405
Total government bonds	**3,183,623**	**3,431,405**
Corporate bonds		
Corporate bonds rated from BBB- to BBB+	763,383	1,095,635
Corporate bonds rated from BB- to BB+	1,678,395	1,482,508
Total corporate bonds	**2,441,778**	**2,578,143**
Equity instruments		
Corporate shares	782,343	3,352,571
	6,407,744	**9,362,119**

As at 31 December 2015, available-for-sale investments include unquoted equity securities stated at cost of KZT 742,577 thousand (31 December 2014: KZT 46,548 thousand). There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows.

20 Loans to customers

	31 December 2015 KZT'000	31 December 2014 KZT'000
Loans to corporate customers		
Loans to large corporates	402,991,799	278,946,761
Loans to small and medium size companies	1,085,581,905	670,138,838
Total loans to corporate customers	**1,488,573,704**	**949,085,599**
Loans to retail customers		
Car loans	136,592,852	82,305,774
Mortgage loans	40,689,111	45,615,991
Consumer loans	20,435,450	27,761,012
Express loans	4,443,509	4,908,812
Credit cards	685,406	111,980
Total loans to retail customers	**202,846,328**	**160,703,569**
Gross loans to customers	**1,691,420,032**	**1,109,789,168**
Impairment allowance	(101,909,714)	(49,540,234)
Net loans to customers	**1,589,510,318**	**1,060,248,934**

20 Loans to customers, continued

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

	Loans to corporate customers KZT'000	**Loans to retail customers KZT'000**	**Total KZT'000**
Balance at the beginning of the year	41,404,211	8,136,023	49,540,234
Net charge	27,463,045	3,321,800	30,784,845
Foreign exchange effect	22,649,824	399,500	23,049,324
Write-offs	(1,210,331)	(255,260)	(1,465,591)
Recovery of previously written-off balances	-	902	902
Balance at the end of the year	**90,306,749**	**11,602,965**	**101,909,714**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2014 are as follows:

	Loans to corporate customers KZT'000	**Loans to retail customers KZT'000**	**Total KZT'000**
Balance at the beginning of the year	24,474,211	3,765,524	28,239,735
Net charge	16,957,270	4,413,843	21,371,113
Foreign exchange effect	141,924	47,785	189,709
Write-offs	(169,194)	(91,129)	(260,323)
Balance at the end of the year	**41,404,211**	**8,136,023**	**49,540,234**

20 Loans to customers, continued

(a) Credit quality of loans to customers

The following table provides information on the credit quality of the loans to customers as at 31 December 2015 and 2014:

	31 December 2015 KZT'000	31 December 2014 KZT'000
Loans to corporate customers		
Loans to large corporates		
Unimpaired loans		
- not overdue	372,022,906	271,080,226
- overdue less than 90 days	14,096,199	-
- overdue more than 1 year	2,250,247	-
Total unimpaired loans	388,369,352	271,080,226
Impaired loans		
- not overdue	14,116,231	-
- overdue more than 90 days and less than 1 year	-	2,250,247
- overdue more than 1 year	506,216	5,616,288
Total impaired loans	14,622,447	7,866,535
Total loans to large corporates	**402,991,799**	**278,946,761**
Impairment allowance on loans to large corporates	(10,070,462)	(7,187,574)
Total loans to large corporates, net of impairment allowance	**392,921,337**	**271,759,187**
Loans to small and medium size companies		
Unimpaired loans		
- not overdue	915,779,611	589,770,464
- overdue less than 90 days	6,702,247	382,824
- overdue more than 90 days and less than 1 year	1,217,993	120,383
Total unimpaired loans	923,699,851	590,273,671
Impaired loans		
- not overdue	124,895,349	52,026,217
- overdue less than 90 days	4,921,089	6,525,968
- overdue more than 90 days and less than 1 year	12,010,784	5,910,865
- overdue more than 1 year	20,054,832	15,402,117
Total impaired loans	161,882,054	79,865,167
Total loans to small and medium size companies	**1,085,581,905**	**670,138,838**
Impairment allowance on loans to small and medium size companies	(80,236,287)	(34,216,637)
Total loans to small and medium size companies, net of impairment allowance	**1,005,345,618**	**635,922,201**
Total loans to corporate customers	**1,488,573,704**	**949,085,599**
Impairment allowance on loans corporate customers	(90,306,749)	(41,404,211)
Total loans to corporate customers, net of impairment allowance	**1,398,266,955**	**907,681,388**

20 Loans to customers, continued

(a) Credit quality of loans to customers, continued

	31 December 2015 KZT'000	31 December 2014 KZT'000
Loans to retail customers		
Car loans		
- not overdue	113,962,212	70,624,097
- overdue less than 30 days	3,639,335	2,605,687
- overdue 30-89 days	2,734,782	1,909,962
- overdue 90-179 days	2,652,114	2,045,418
- overdue more than 180 days	13,604,409	5,120,610
Total car loans	**136,592,852**	**82,305,774**
Impairment allowance on car loans	(6,086,356)	(1,770,825)
Total car loans, net of impairment allowance	**130,506,496**	**80,534,949**
Mortgage loans		
- not overdue	32,073,425	38,361,409
- overdue less than 30 days	992,798	701,716
- overdue 30-89 days	711,487	521,246
- overdue 90-179 days	837,633	353,842
- overdue more than 180 days	6,073,768	5,677,778
Total mortgage loans	**40,689,111**	**45,615,991**
Impairment allowance on mortgage loans	(3,374,500)	(3,120,138)
Total mortgage loans, net of impairment allowance	**37,314,611**	**42,495,853**
Consumer loans		
- not overdue	15,096,057	23,157,410
- overdue less than 30 days	629,201	550,196
- overdue 30-89 days	455,924	391,451
- overdue 90-179 days	579,545	303,107
- overdue more than 180 days	3,674,723	3,358,848
Total consumer loans	**20,435,450**	**27,761,012**
Impairment allowance on consumer loans	(1,038,994)	(1,238,283)
Total consumer loans, net of impairment allowance	**19,396,456**	**26,522,729**
Express loans		
- not overdue	3,363,132	4,252,030
- overdue less than 30 days	47,746	65,556
- overdue 30-89 days	73,204	61,180
- overdue 90-179 days	87,303	55,257
- overdue more than 180 days	872,124	474,789
Total express loans	**4,443,509**	**4,908,812**
Impairment allowance on express loans	(1,057,570)	(1,975,532)
Total express loans, net of impairment allowance	**3,385,939**	**2,933,280**
Credit cards		
- not overdue	564,998	33,836
- overdue less than 30 days	66,733	42,651
- overdue 30-89 days	5,638	-
- overdue 90-179 days	5,324	127
- overdue more than 180 days	42,713	35,366
Total credit cards	**685,406**	**111,980**
Impairment allowance on credit cards	(45,545)	(31,245)
Total credit cards, net of impairment allowance	**639,861**	**80,735**
Total loans to retail customers	**202,846,328**	**160,703,569**
Impairment allowance on loans to retail customers	(11,602,965)	(8,136,023)
Total loans to retail customers, net of impairment allowance	**191,243,363**	**152,567,546**
Total loans to customers	**1,691,420,032**	**1,109,789,168**
Impairment allowance on loans to customers	(101,909,714)	(49,540,234)
Total loans to customers, net of impairment allowance	**1,589,510,318**	**1,060,248,934**

20 Loans to customers, continued

(a) Credit quality of loans to customers, continued

As at 31 December 2015, the Group has a ratio of non-performing loans to customers to gross exposure of loans to customers of 3.81%, which is less than 10%. Management define non-performing loans as those loans to customers (gross exposure) which are contractually overdue by more than 90 days.

(b) Key assumptions and judgments for estimating loan impairment

(i) Loans to corporate customers

The Group estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for unimpaired loans.

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

- quarterly loss rates are based on historic loss experience of 0.47-0.65% and an emergence period of 3 months
- migration rates for loans to small and medium size companies are constant and can be estimated based on historic loss migration pattern for the past 12 months
- a discount of between 10% and 20% to the originally appraised value if the property pledged is sold
- a delay of 6-24 months in obtaining proceeds from the foreclosure of collateral.

As at 31 December 2015 management of the Group performed assessment of the impact of devaluation of KZT which occurred in August 2015 on corporate loans denominated in foreign currency in order to estimate the development of additional impairment indicators. The reassessment of expected future cash flows from operating activities of corporate borrowers was performed by the Group taking into account an impact of devaluation of KZT on future forecasts of revenue and related costs of the corporate borrowers. The Group also re-estimated the value of collateral as at the reporting date.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by 0.5 percent, the impairment allowance on loans to corporate customers as at 31 December 2015 would be KZT 6,991,335 thousand lower/higher (31 December 2014 KZT 4,538,407 thousand lower/higher).

(ii) Loans to retail customers

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

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months
- a discount of between 10% and 30% to the annually appraised value if the property pledged is sold
- a delay of 6-12 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to retail customers as at 31 December 2015 would be KZT 5,737,301 thousand lower/higher (31 December 2014: KZT 4,577,026 thousand – base for calculation doesn't include Plus Bank loan portfolio).

20 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements

(i) Loans to corporate customers

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

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

31 December 2015 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral as of date of loan issue	Fair value of collateral not determined
Unimpaired loans				
Cash and deposits	17,197,972	17,197,972	-	-
Traded securities	13,087,513	13,087,513	-	-
Real estate	510,982,177	491,873,087	19,109,090	-
Grain	131,785,082	131,785,082	-	-
Goods in turnover	117,905,348	117,781,517	123,831	-
Motor vehicles	4,030,535	3,691,415	339,120	-
Equipment	8,986,075	8,897,648	88,427	-
Corporate guarantees and guarantees of individuals	144,992,304	-	-	144,992,304
No collateral or other credit enhancement	276,835,310	-	-	276,835,310
Other collateral registered subsequently after reporting date	77,877,535	77,877,535	-	-
Total unimpaired loans	**1,303,679,851**	**862,191,769**	**19,660,468**	**421,827,614**
Impaired loans				
Cash and deposits	508,811	508,811	-	-
Traded securities	350,763	350,763	-	-
Real estate	49,267,537	46,673,852	2,593,685	-
Grain	14,125,639	14,125,639	-	-
Goods in turnover	10,653,544	10,475,824	177,720	-
Motor vehicles	381,613	170,410	211,203	-
Equipment	3,369,518	3,323,695	45,823	-
Corporate guarantees and guarantees of individuals	13,089,673	-	-	13,089,673
Other	29	29	-	-
No collateral or other credit enhancement	2,839,977	-	-	2,839,977
Total impaired loans	**94,587,104**	**75,629,023**	**3,028,431**	**15,929,650**
Total loans to corporate customers	**1,398,266,955**	**937,820,792**	**22,688,899**	**437,757,264**

20 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements, continued

(i) Loans to corporate customers, continued

31 December 2014 KZT'000	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral – for collateral as of date of loan issue	Fair value of collateral not determined
Unimpaired loans				
Cash and deposits	19,820,064	19,820,064	-	-
Trading securities	19,041,460	19,041,460	-	-
Real estate	349,645,322	340,108,365	9,536,957	-
Grain	63,986,649	63,986,649	-	-
Goods in turnover	77,838,579	77,749,748	88,831	-
Motor vehicles	2,987,524	2,726,036	261,488	-
Equipment	11,224,173	11,163,640	60,533	-
Other	795,630	795,630	-	-
Corporate guarantees (unrated) and guarantees of individuals	141,118,941	-	-	141,118,941
No collateral or other credit enhancement	142,265,193	-	-	142,265,193
Other collateral registered subsequently after reporting date	28,678,293	28,678,293	-	-
Total unimpaired loans	**857,401,828**	**564,069,885**	**9,947,809**	**283,384,134**
Impaired loans				
Cash and deposits	61,790	61,790	-	-
Trading securities	1,428,842	1,428,842	-	-
Real estate	33,561,510	31,993,577	1,567,933	-
Goods in turnover	2,762,213	2,638,806	123,407	-
Motor vehicles	370,738	182,207	188,531	-
Equipment	177,537	88,194	89,343	-
Guarantees	9,606,335	-	-	9,606,335
Other	63	33	30	-
No collateral or other credit enhancement	2,310,532	-	-	2,310,532
Total impaired loans	**50,279,560**	**36,393,449**	**1,969,244**	**11,916,867**
Total loans to corporate customers	**907,681,388**	**600,463,334**	**11,917,053**	**295,301,001**

The tables above exclude the effect of overcollateralisation.

The amount disclosed in the table above within "No collateral or other credit enhancement" line includes uncollateralised loans and portions of loans without full collateral coverage. As at 31 December 2015, the net carrying value of uncollateralised corporate loans is KZT 45,485,031 thousand or 3.25% of the corporate loan portfolio (31 December 2014: KZT 16,832,789 thousand or 1.85% of corporate loan portfolio).

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

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, and corporate guarantees received from unrated local companies are not considered for impairment assessment purposes.

20 Loans to customers, continued

(c) Analysis of collateral and other credit enhancements, continued

(ii) Loans to retail customers

Mortgage loans are secured by underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 70%. Car loans are secured by cars. The Group's policy is to issue car loans with a loan-to-value ratio of a maximum of 90%. Consumer loans are generally secured by properties and in certain cases by assets including vehicles, cash deposits and guarantees.

Management estimates that the impairment allowance would have been higher by KZT 3,396,703 thousand (31 December 2014: KZT 3,082,333 thousand) for mortgage loans, by KZT 3,035,732 thousand (31 December 2014: KZT 2,218,581 thousand) for consumer loans and by KZT 9,305,048 thousand (31 December 2014: KZT 4,270,097 thousand) for car loans if collateral was not taken into account.

(d) Industry analysis of the loan portfolio

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

	31 December 2015 KZT'000	31 December 2014 KZT'000
Trade	402,725,600	239,747,689
Agriculture	291,829,155	186,725,453
Production	204,973,356	140,503,823
Transportation	189,044,907	92,460,031
Construction	182,207,362	110,013,084
Services	159,860,878	115,064,241
Finance and insurance	48,025,547	55,831,894
Education	1,103,539	2,720,573
Public authority companies	22,682	31,677
Other	8,780,678	5,987,134
Total loans to corporate customers	**1,488,573,704**	**949,085,599**
Loans issued to retail customers		
Car loans	136,592,852	82,305,774
Mortgage loans	40,689,111	45,615,991
Consumer loans	20,435,450	27,761,012
Express loans	4,443,509	4,908,812
Credit cards	685,406	111,980
Total retail loans	**202,846,328**	**160,703,569**
Gross loans to customers	**1,691,420,032**	**1,109,789,168**
Impairment allowance	(101,909,714)	(49,540,234)
	1,589,510,318	**1,060,248,934**

(e) Significant credit exposures

As at 31 December 2015, the Group has 35 borrowers or groups of connected borrowers (31 December 2014: 24), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2015 is KZT 719,056,130 thousand (31 December 2014: KZT 344,506,967 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 37 which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Group, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than that based on contractual terms.

21 Held-to-maturity investments

	31 December 2015 KZT'000	31 December 2014 KZT'000
Held by the Group		
Government bonds		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	23,539,806	32,123,829
- US treasury bills	-	1,495,205
Total government bonds	**23,539,806**	**33,619,034**
Corporate bonds		
- rated from BBB- to BBB+	1,115,389	924,049
- rated from B- to B+	-	185,906
- not rated	1,883,357	1,883,357
Total corporate bonds	**2,998,746**	**2,993,312**
Impairment allowance	(1,883,357)	(1,883,357)
Total net corporate bonds	**1,115,389**	**1,109,955**
	24,655,195	**34,728,989**

Analysis of movements in the impairment allowance

	2015 KZT'000	2014 KZT'000
Balance at the beginning of the year	1,883,357	1,883,357
Net charge	-	-
Balance at the end of the year	**1,883,357**	**1,883,357**

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

Corporate bonds are interest-bearing securities, issued by local companies and banks. These securities are freely tradable on the Kazakhstan Stock Exchange ("KASE"), except for the bonds of Astana-Nedvizhimost JSC ("Astana-Nedvizhimost"). Astana-Nedvizhimost bonds were excluded from trading at KASE in July 2011. As at 31 December 2015 and 31 December 2014, the Group provided 100% impairment allowance on these bonds in the amount of KZT 1,883,357 thousand.

22 Property, equipment and intangible assets

KZT'000	Land and buildings	Computer equipment	Motor vehicles	Construction in progress	Other	Intangible assets	Total
Cost							
Balance at 1 January 2015	17,204,450	5,473,751	644,864	614,920	5,670,526	2,490,084	32,098,595
Additions	6,271,877	435,142	119,501	1,040,988	836,738	673,351	9,377,597
Disposals	-	(100,918)	(24,889)	-	(307,956)	(232)	(433,995)
Acquisition of subsidiary (Note 44)	2,046,992	39,425	194,528	-	76,922	1,833,610	4,191,477
Reclassified to investment properties (Note 23)	(34,808)	-	-	-	-	-	(34,808)
Reclassified from other assets (Note 26)	7,745,313	-	-	-	-	-	7,745,313
Transfers	-	8,216	172,033	(1,092,981)	912,732	-	-
Balance at 31 December 2015	**33,233,824**	**5,855,616**	**1,106,037**	**562,927**	**7,188,962**	**4,996,813**	**52,944,179**
Depreciation and amortisation							
Balance at 1 January 2015	338,061	1,951,395	172,182	-	2,262,366	1,262,144	5,986,148
Depreciation and amortisation for the year	397,491	1,011,658	102,196	-	876,208	335,465	2,723,018
Impairment losses	-	17,465	-	-	19,657	109	37,231
Disposals	-	(99,254)	(24,121)	-	(294,596)	(232)	(418,203)
Reclassified to investment properties (Note 23)	(12,575)	-	-	-	-	-	(12,575)
Reclassified from other assets (Note 26)	314,436	-	-	-	-	-	314,436
Transfers	-	(24)	-	-	24	-	-
Balance at 31 December 2015	**1,037,413**	**2,881,240**	**250,257**	**-**	**2,863,659**	**1,597,486**	**8,630,055**
Carrying amount							
At 31 December 2015	**32,196,411**	**2,974,376**	**855,780**	**562,927**	**4,325,303**	**3,399,327**	**44,314,124**

22 Property, equipment and intangible assets, continued

KZT'000	Land and buildings	Computer equipment	Motor vehicles	Construction in progress	Other	Intangible assets	Total
Cost							
Balance at 1 January 2014	13,726,872	3,501,239	427,441	759,531	4,162,060	2,073,657	24,650,800
Additions	3,285,464	2,078,609	103,498	489,707	1,288,975	487,198	7,733,451
Disposals	(2,228)	(106,097)	(152)	-	(100,794)	(70,771)	(280,042)
Reversal of revaluation reserve for land and buildings	(5,614)	-	-	-	-	-	(5,614)
Transfers	199,956	-	114,077	(634,318)	320,285	-	-
Balance at 31 December 2014	**17,204,450**	**5,473,751**	**644,864**	**614,920**	**5,670,526**	**2,490,084**	**32,098,595**
Depreciation and amortisation							
Balance at 1 January 2014	181,352	1,236,812	106,138	-	1,645,082	1,076,813	4,246,197
Depreciation and amortisation for the year	156,709	816,071	66,117	-	708,446	256,102	2,003,445
Disposals	-	(101,488)	(73)	-	(91,162)	(70,771)	(263,494)
Balance at 31 December 2014	**338,061**	**1,951,395**	**172,182**	**-**	**2,262,366**	**1,262,144**	**5,986,148**
Carrying amount							
At 31 December 2014	**16,866,389**	**3,522,356**	**472,682**	**614,920**	**3,408,160**	**1,227,940**	**26,112,447**

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during the years ended 31 December 2015 and 2014.

23 Investment property

The carrying value of investment property is KZT 4,175,900 thousand (31 December 2014: KZT 1,241,153 thousand). Management of the Group believes that the carrying value of properties reflect their fair value as at 31 December 2015 and 2014. The fair value of investment properties are categorised in Level 3 of the fair value hierarchy.

	31 December 2015 KZT'000	31 December 2014 KZT'000
Cost		
Balance as at 1 January	1,241,926	-
Additions	411,855	1,241,926
Acquisition of subsidiary	2,904,733	-
Reclassified from property, equipment and intangible assets	22,233	-
Transferred to finance lease receivables	(193,567)	-
Balance as at 31 December	**4,387,180**	**1,241,926**
Depreciation and amortisation		
Balance as at 1 January	(773)	(773)
Depreciation and amortisation for the year	(38,246)	-
Impairment losses	(172,261)	-
Balance as at 31 December	**(211,280)**	**(773)**
Carrying amount		
Balance as at 31 December	**4,175,900**	**1,241,153**

24 Insurance premiums and reinsurance assets

	31 December 2015 KZT'000	31 December 2014 KZT'000
Insurance premiums receivables	2,121,040	2,544,571
Impairment allowance	(744,279)	(158,729)
Total insurance premiums receivable	**1,376,761**	**2,385,842**
Reinsurers' share in insurance contract provisions	792,339	84,093
Total	**2,169,100**	**2,469,935**

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the years ended 31 December 2015 and 2014 are as follows:

	2015 KZT'000	2014 KZT'000
Balance at the beginning of the year	158,729	78,187
Net charge	672,466	80,542
Write-offs	(86,916)	-
Balance at the end of the year	**744,279**	**158,729**

25 Long-term assets held for sale

	31 December 2015 KZT'000	31 December 2014 KZT'000
Balance as at 1 January	124,019	-
Transferred from other assets	334,488	124,019
Acquisition of subsidiary	3,273,515	-
Balance as at 31 December	**3,732,022**	**124,019**

Long-term assets held for sale comprises real estate, vehicles and other collateral accepted by the Group in exchange for its rights and obligations under impaired loans to customers. The Group commissioned an independent appraiser to perform a valuation of foreclosed property as at 31 December 2015. The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar properties. At 31 December 2015 the management believes that the carrying value of long-term assets held for sale is not significantly different from its fair value.

26 Other assets

	31 December 2015 KZT'000	31 December 2014 KZT'000
Other receivables	8,414,073	6,781,164
Receivables from collector agencies	2,237,544	2,257,320
Commissions receivable from guarantees issued	1,968,528	1,650,294
Debtors under documentary settlements	391,948	-
Amount due from local commercial bank	210,035	210,035
Commissions receivable	116,214	54,942
Impairment allowance	(2,736,221)	(2,581,165)
Total other financial assets	**10,602,121**	**8,372,590**
Prepayments for office buildings	3,834,125	3,367,183
Prepayments	2,955,325	2,073,341
Materials and supplies	1,198,628	1,594,019
Advance consideration*	-	7,430,877
Other	623,680	378,958
Impairment allowance	(76,598)	(99,701)
Total other non-financial assets	**8,535,160**	**14,744,677**
Total other assets	**19,137,281**	**23,117,267**

*On 10 April 2013, the Group entered into an agreement with the shareholders of Plus Bank PJSC to increase the Group's shareholding of 19% up to 91.09%, subject to Kazakhstan and Russian Federation regulatory approval. Prior to 31 December 2012, the Group acquired certain real estate assets for KZT 6,744,543 thousand which the Group planned to use as consideration for the completion of the transaction. During the year ended 31 December 2015, the Group changed its intention on transfer of the assets. Thus, the assets of KZT 7,430,877 thousand, including capitalised repair costs, were reclassified from other assets to property, equipment and intangible assets (Note 22) for further use.

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the year ended 31 December 2015 are as follows:

	Other financial assets KZT'000	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the year	2,581,165	99,701	2,680,866
Net charge (recovery)	595,748	(22,155)	573,593
Write-offs	(484,307)	(948)	(485,255)
Foreign exchange	43,615	-	43,615
Balance at the end of the year	**2,736,221**	**76,598**	**2,812,819**

26 Other assets, continued

Analysis of movements in the impairment allowance, continued

Movements in the impairment allowance for the year ended 31 December 2014 are as follows:

	Other financial assets KZT'000	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the year	1,462,655	22,537	1,485,192
Net charge	1,124,053	81,720	1,205,773
Write-offs	(12,392)	(4,556)	(16,948)
Foreign exchange	6,849	-	6,849
Balance at the end of the year	**2,581,165**	**99,701**	**2,680,866**

As at 31 December 2015, included in other assets are overdue other receivables of gross KZT 2,186,563 thousand (31 December 2014: KZT 1,104,226 thousand), of which KZT 183,685 thousand are overdue for more than 90 days (31 December 2014: KZT 294,247 thousand).

27 Loans from state company

	Issue date	Maturity	Interest rate	Carrying value 31 December 2015 KZT'000	Carrying value 31 December 2014 KZT'000
Loans from National Management Holding KazAgro JSC:					
Loan 1	29.08.2014	15.06.2023	3.00%	22,373,478	22,679,252
Loan 2	06.01.2014	04.12.2021	10.00%	847,947	847,717
Loan 3	16.07.2015	15.06.2024	3.00%	3,832,898	-
Loan 4	16.07.2015	15.06.2024	3.00%	2,661,751	-
Loan 5	16.07.2015	15.06.2024	3.00%	2,648,641	-
				32,364,715	**23,526,969**

Loans from the National Management Holding KazAgro JSC ("KazAgro") were received in accordance with the KazAgro Rules of programme on financial recovery of companies operating in the agriculture industry (the "Rules").

During 2014, in accordance with the Rules and based on an agreement between KazAgro and the Group, KazAgro placed a deposit in the amount USD 541,076 thousand at 1% per annum interest rate with maturity in 2023 (Note 29). As at 31 December 2015 the deposit amounted to USD 505,852 thousand (31 December 2014: USD 531,012 thousand). According to the loan and deposit agreements between KazAgro and the Group, the Group is responsible to extend loans to companies operating in the agriculture industry to support their financial recovery. Management of the Group believes that there are some other similar financial instruments such as loans from Damu (Note 28) and due to their specific nature, the loans and deposits from KazAgro and Damu represent a separate segment of borrowings from state companies to support companies operating in certain industries. As a result, the loans from KazAgro were received in an "arm's length" transaction and, as such, the amount received under the loans represents the fair value of the loans on initial recognition.

28 Deposits and balances from banks and other financial institutions

	31 December 2015 KZT'000	31 December 2014 KZT'000
Loans from banks and other financial institutions	125,898,653	59,431,758
Deposits from banks	87,994,390	2,770,946
Vostro accounts	64,650	661,785
	213,957,693	**62,864,489**
Derivative financial instruments		
Foreign currency contracts	-	12,290
	213,957,693	**62,876,779**

28 Deposits and balances from banks and other financial institutions, continued

As at 31 December 2015, the Group has three financial institutions (31 December 2014: two financial institutions), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2015 is KZT 148,348,111 thousand (31 December 2014: KZT 57,005,366 thousand).

As at 31 December 2015, deposits and balances from banks and other financial institutions include a long-term loan from Damu in the amount of KZT 28,000,000 thousand at 2.0% per annum interest rate with maturity in 2034 and 2035 and with an early repayment option. The loan was received in accordance with the Government program (the "Program") to finance SMEs 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, with maximum maturity up to 10 years at a 6% interest rate.

Management of the Group believes that there are some other similar financial instruments and due to their specific nature, the loans from KazAgro (Note 27) and Damu represent a separate segment of borrowings from state companies to support companies operating in certain industries. As a result, the loan from Damu was received in an "arm's length" transaction and, as such, the amount received under the loans represents the fair value of the loans on initial recognition.

29 Current accounts and deposits from customers

	31 December 2015 KZT'000	31 December 2014 KZT'000
Current accounts and demand deposits		
- Corporate	169,317,295	128,454,705
- Retail	15,957,737	10,243,000
- Accrued interest	77,682	324,569
Term deposits		
- Corporate	677,361,197	605,942,170
- Retail	574,635,137	258,761,696
- Accrued interest	4,422,162	6,389,736
	1,441,771,210	**1,010,115,876**

As at 31 December 2015, the Group maintained customer deposit balances of KZT 26,961,870 thousand (31 December 2014: KZT 25,758,569 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2015, the Group has 14 customers (31 December 2014: 14 customers), whose balances exceed 10% of equity. These balances as at 31 December 2015 are KZT 508,838,006 thousand (31 December 2014: KZT 469,563,445 thousand).

Current accounts and deposits from customers include a fixed term deposit of KazAgro in the amount of USD 505,852 thousand at 1% per annum with maturity in 2023 on terms described in Note 27 (31 December 2014: USD 531,012 thousand).

30 Debt securities issued

	31 December 2015 KZT'000	31 December 2014 KZT'000
Nominal	46,389,400	48,839,302
Discount	(2,182,933)	(2,654,159)
Accrued interest	506,377	505,847
	44,712,844	**46,690,990**

30 Debt securities issued, continued

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

	Issue date	Maturity	Coupon rate	Effective rate	Carrying amount 31 December 2015 KZT'000	Carrying amount 31 December 2014 KZT'000
KZT denominated bonds of the eighteenth issue *	4.06.2013	4.06.2016	8.0%	8.2%	10,041,358	10,041,333
KZT denominated bonds of the nineteenth issue *	04.06.2013	04.06.2018	8.0%	8.7%	9,933,555	9,895,024
KZT denominated bonds of the twenty fourth issue *	10.04.2014	10.04.2017	6.0%	6.9%	9,821,570	9,610,873
KZT denominated bonds of the twentieth issue *	04.06.2013	04.06.2023	Inflation index + 1%	8.0%	9,372,019	9,221,980
KZT denominated bonds of the twenty fifth issue *	10.04.2014	10.04.2019	8.0%	8.7%	2,911,029	2,880,051
KZT denominated bonds of the seventh issue *	11.07.2007	11.07.2027	7.5%	10.9%	2,633,313	2,633,335
KZT denominated bonds of the sixth issue *	14.12.2006	14.12.2015	Inflation index + 1%	10.8%	-	2,408,394
					44,712,844	**46,690,990**

*Quoted on KASE

31 Subordinated debt

	31 December 2015 KZT'000	31 December 2014 KZT'000
Subordinated bonds	56,111,004	55,634,631
Cumulative non-redeemable preferred shares	2,614,360	2,642,153
	58,725,364	**58,276,784**

As at 31 December 2015 and 2014, subordinated debt comprises quoted bonds and cumulative non-redeemable preferred shares. In case of bankruptcy, the repayment of the subordinated debt would be made after repayment in full of all other liabilities of the Group but before repayment of the preferred shares.

(a) Cumulative non-redeemable preference shares

Holders of cumulative non-redeemable preference shares receive a minimum cumulative dividend of 10% per annum on the par value of their shareholding. The preference shares do not carry the right to vote unless the dividend is in arrears. All shares rank equally with regard to the Group's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears. All preference shares were issued and fully paid at price of KZT 1,000 each.

During the year ended 31 December 2015, the Group accrued dividends on preference shares amounting to KZT 250,000 thousand (2014: KZT 250,000 thousand).

31 Subordinated debt, continued

(b) Subordinated bonds

The summary of subordinated bonds at 31 December 2015 and 2014 is presented below:

	Issue date	Maturity	Coupon rate	Effective rate	Carrying amount 31 December 2015 KZT'000	Carrying amount 31 December 2014 KZT'000
KZT denominated bonds of the twenty first issue *	10.04.2014	10.04.2021	8.0%	9.7%	9,354,989	9,243,691
KZT denominated bonds of the thirteenth issue *	02.08.2012	02.08.2019	8.0%	9.7%	5,907,264	5,847,055
KZT denominated bonds of the eighth issue *	13.04.2011	13.04.2018	8.0%	8.1%	5,548,280	5,544,297
KZT denominated bonds of the eleventh issue *	01.02.2012	01.02.2019	8.0%	9.2%	5,000,720	4,965,772
KZT denominated bonds of the fourteenth issue *	04.06.2013	04.06.2020	8.0%	9.7%	4,747,749	4,701,509
KZT denominated bonds of the sixteenth issue *	04.06.2013	04.06.2028	9.0%	9.7%	4,682,991	4,669,819
KZT denominated bonds of the twenty second issue *	10.04.2014	10.04.2021	8.0%	9.7%	4,668,816	4,613,270
KZT denominated bonds of the fifteenth issue *	04.06.2013	04.06.2023	8.0%	9.7%	4,559,468	4,519,419
KZT denominated bonds of the tenth issue *	30.06.2011	30.06.2018	8.0%	10.7%	4,037,110	4,008,256
KZT denominated bonds of the twelfth issue *	02.08.2012	02.08.2019	8.0%	9.7%	3,917,490	3,877,375
KZT denominated bonds of the twenty third issue *	10.04.2014	10.04.2021	8.0%	9.7%	2,811,704	2,778,252
KZT denominated bonds*	19.03.2013	19.03.2020	8.0%	9.7%	874,423	865,916
					56,111,004	**55,634,631**

*Quoted on KASE

32 Insurance contract provisions

	Gross 31 December 2015 '000 KZT	Reinsurance 31 December 2015 '000 KZT	Net 31 December 2015 '000 KZT
Unearned premium provision	4,282,682	(582,396)	3,700,286
Provision for claims incurred but not reported	1,361,256	(209,943)	1,151,313
Provision for claims reported but not settled	220,533	-	220,533
	5,864,471	**(792,339)**	**5,072,132**

	Gross 31 December 2014 '000 KZT	Reinsurance 31 December 2014 '000 KZT	Net 31 December 2014 '000 KZT
Unearned premium provision	5,131,587	(82,251)	5,049,336
Provision for claims incurred but not reported	929,754	(1,842)	927,912
Provision for claims reported but not settled	167,898	-	167,898
	6,229,239	**(84,093)**	**6,145,146**

32 Insurance contract provisions, continued

Assumptions and sensitivity analysis

Process used to determine the assumptions

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen. However, given the uncertainty in establishing outstanding claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Provision is made at the reporting date for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related external claims handling expenses, less amounts already paid. The provision for claims is not discounted for the time value of money.

The sources of data used as inputs for the assumptions are typically internal to the Group, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market information or other published information. There is, however, a general lack of publicly available information on the Kazakhstan insurance market that would be relevant to identification of assumptions and sensitivities.

The estimation of incurred but not reported claims (IBNR) is generally subject to a greater degree of uncertainty than the estimates of outstanding claims already notified, where more information is available. IBNR claims may often not be apparent to the Group until sometime after the occurrence of the event giving rise to the claim. Due to the generally short tail nature of the Group's portfolio a substantial amount of claims are settled within one year after the occurrence of the event giving rise to the claim.

Claims provisions for six classes of insurance (obligatory vehicle owner`s liability, voluntary transport insurance, voluntary medical insurance, voluntary property insurance, other voluntary insurance and obligatory employer liability) are estimated using a range of statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each accident year based upon observed development of earlier years and expected loss ratios.

The key statistical method is the chain ladder method, which use historical data to estimate the paid and incurred to date proportions of the ultimate claim cost.

The actual method or blend of methods used varies by the class of insurance contract based on observed historical claims development.

Large claims are generally assessed separately and are measured on a case by case basis or projected separately in order to allow for the possible distorting effects on development and incidence of these large claims.

Insurance claims provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The method uses historical data, gross IBNR estimates and the terms and conditions of the reinsurance contracts to estimate the carrying value of the IBNR reinsurance asset.

The Actuary of the Group is responsible for calculation of insurance contract provisions.

For other classes of insurance, not mentioned above, IBNR is calculated as 5.0%-20.0% of gross premium due to lack of statistics.

32 Insurance contract provisions, continued

Assumptions and sensitivity analysis, continued

Assumptions

The assumptions that have the greatest effect on the measurement of general insurance contract provisions are the expected loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to earned premiums. When determining the total liability, the projection of future cash flows includes the estimated values of parameters that can affect the amount of an individual claim (e.g. frequency of claims, risks connected with the insurance contract – death as a result of an accident, ongoing effects, recovery time, time between date of occurrence of the insured event and the settlement date).

Sensitivity analysis

Management believes that, due to the short-tailed nature of the Group's business, the performance of the Group's portfolio is sensitive mainly to changes in expected loss ratios. The Group adjusts its insurance tariffs on a regular basis based on the latest developments in these variables so that any emerging trends are taken into account.

33 Other liabilities

	31 December 2015 KZT'000	31 December 2014 KZT'000
Sundry creditors	1,964,220	854,099
Insurance and reinsurance payables	637,484	578,884
Dividends payable	1,421	1,421
Total other financial liabilities	**2,603,125**	**1,434,404**
Accrued vacation and other amounts due to employees	2,468,646	1,083,144
Deferred income for guarantees and letters of credit issued	1,226,232	1,554,475
Other taxes payable	1,426,635	631,723
Other prepayments	79,248	81,500
Other non-financial liabilities	110,742	26,802
Total other non-financial liabilities	**5,311,503**	**3,377,644**
Total other liabilities	**7,914,628**	**4,812,048**

34 Share capital

(a) Issued capital

As at 31 December 2015, the authorised share capital comprises 77,500,000 ordinary shares and 2,500,000 non-redeemable cumulative preference shares (31 December 2014: 77,500,000 ordinary shares and 2,500,000 non-redeemable cumulative preference shares). Issued and outstanding share capital comprises 43,865,942 ordinary shares and 2,376,691 non-redeemable cumulative preference shares (31 December 2014: 43,880,062 ordinary shares and 2,401,957 non-redeemable cumulative preference shares). The shares do not have a par value. During the year ended 31 December 2015 no ordinary shares were issued (31 December 2014: 10,199,915 ordinary shares were issued at KZT 2,000 per share).

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

34 Share capital, continued

(b) Nature and purpose of reserves

Reserves for general banking risks

Until 2013 year, in accordance with amendments to the Resolution #196 On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks issued by the FMSA introduced on 31 January 2011 (which ceased to be in force during 2013), the Group had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year was calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders, multiplied by the percentage increase in Classified Assets and Contingent Liabilities for the preceding year. Classified Assets and Contingent Liabilities were defined in accordance with Resolution #296 “On Approval of the Rules of Classification of Assets, Contingent Liabilities and Creation of Provisions (Reserves) against Assets and Contingent Liabilities” issued by FMSC on 25 December 2006, which ceased to be in force during 2013. Such percentage increase should not be less than 10% and not more than 100%.

A transfer from retained earnings to the reserve for general banking risks in the amount of KZT 5,142,171 thousand was made for the year ended 31 December 2013.

Dynamic reserve

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

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

As at 31 December 2015 and 31 December 2014 the dynamic reserve is KZT 16,631,209 thousand.

Revaluation reserve for available-for-sale financial assets

Revaluation reserve for available-for-sale financial assets comprise accumulated net change in the fair value till the moment of assets derecognition or their impairment.

(c) Dividends

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

At a general shareholders’ meeting held in May 2015, the Bank made a decision not to pay any dividends (31 December 2014: nil).

(d) Treasury shares

As at 31 December 2015, the Group held 133,973 of its own ordinary shares (31 December 2014: 119,853 ordinary shares).

34 Share capital, continued

(e) Book value per share

Under the listing rules of the Kazakh Stock Exchange the Group should present book value per share in its consolidated financial statements. The book value per ordinary share is calculated by dividing net assets less intangible assets by number of outstanding ordinary shares. As at 31 December 2015, the book value per ordinary share was KZT 2,784 (31 December 2014: KZT 2,365).

The book value per preferred share is calculated by dividing equity with prior claims and debt component of preferred shares by number of outstanding preferred shares. As at 31 December 2015, the book value per preferred share was KZT 1,100 (31 December 2014: KZT 1,100).

35 Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2015 is based on the profit attributable to ordinary shareholders of KZT 18,063,193 thousand (31 December 2014: KZT 15,903,338 thousand), and a weighted average number of ordinary shares outstanding of 43,871,850 (31 December 2014: 39,153,976) calculated as follows:

	2015	**2014**
Profit, in thousand of KZT	18,063,193	15,903,338
Issued ordinary shares at the beginning of the year	43,880,062	33,684,026
Effect of shares issued during the year	(8,212)	5,469,950
Weighted average number of ordinary shares	**43,871,850**	**39,153,976**
Basic earnings per share, in KZT	412	406

The Group does not have any potentially dilutive securities.

36 Analysis by segment

The Group has two reportable segments, as described below, which are the Group’s strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- banking – includes loans, deposits and other transactions with customers, trading and corporate finance activities, the Bank’s funding and banking risk management activities through borrowings, issue of debt securities
- insurance – conducting insurance and reinsurance activities.

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

36 Analysis by segment, continued

Segment breakdown of assets and liabilities is set out below:

	31 December 2015 KZT'000	31 December 2014 KZT'000
ASSETS		
Banking	1,965,654,338	1,316,479,196
Insurance	13,522,608	13,623,937
Unallocated assets	6,345,317	3,739,688
Total assets	**1,985,522,263**	**1,333,842,821**
LIABILITIES		
Banking	1,834,577,607	1,210,240,746
Insurance	6,663,171	6,929,861
Unallocated liabilities	760,391	64,556
Total liabilities	**1,842,001,169**	**1,217,235,163**

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

KZT'000	Banking	Insurance	Unallocated	Total
External interest income	126,096,879	489,067	216,669	126,802,615
Fee and commission income	8,798,277	12,146	98,944	8,909,367
Gross earned insurance premiums	-	9,039,600	-	9,039,600
Net gain (loss) on other financial instruments at fair value through profit or loss	88,837,809	122,548	(72,930)	88,887,427
Net gain on available-for-sale financial assets	-	892	-	892
Dividend income	-	-	19,900	19,900
Other operating income	148,262	80,412	32,889	261,563
Revenue	**223,881,227**	**9,744,665**	**295,472**	**233,921,364**
Interest expense	(62,950,172)	-	(17,603)	(62,967,775)
Fee and commission expense	(693,133)	(2,024,306)	(53,776)	(2,771,215)
Written premiums ceded to reinsurers and reinsurers' share of change in the gross provision for unearned premiums	-	(956,180)	-	(956,180)
Net insurance claims incurred	-	(4,353,760)	-	(4,353,760)
Net foreign exchange (loss) gain	(75,432,573)	2,060,866	1,874,293	(71,497,414)
Impairment losses	(31,200,019)	(1,039,991)	(386)	(32,240,396)
Personnel expenses	(15,907,699)	(1,641,218)	(222,966)	(17,771,883)
Other general administrative expenses	(16,487,879)	(1,344,962)	(121,865)	(17,954,706)
Segment result	**21,209,752**	**445,114**	**1,753,169**	**23,408,035**
Income tax expense				(5,534,034)
Net profit after taxes				**17,874,001**
Other segment items				
Additions of property and equipment	9,137,276	221,897	18,424	9,377,597
Depreciation and amortisation	2,644,194	74,389	4,435	2,723,018

36 Analysis by segment, continued

Segment information for the main reportable segments for the year ended 31 December 2014 is set out below:

KZT'000	Banking	Insurance	Unallocated	Total
External interest income	111,321,266	498,154	107,159	111,926,579
Fee and commission income	9,851,705	5,362	316,313	10,173,380
Gross earned insurance premiums	-	10,809,597	-	10,809,597
Net gain (loss) on other financial instruments at fair value through profit or loss	296,610	-	(35,537)	261,073
Net foreign exchange gain (loss)	8,005,287	(3,942)	(5,713)	7,995,632
Dividend income	-	-	20,303	20,303
Other operating income	94,314	388,795	208	483,317
Revenue	**129,569,182**	**11,697,966**	**402,733**	**141,669,881**
Interest expense	(54,918,667)	-	-	(54,918,667)
Fee and commission expense	(1,059,105)	(846,295)	(41,178)	(1,946,578)
Written premiums ceded to reinsurers and reinsurers' share of change in the gross provision for unearned premiums	-	(2,005,378)	-	(2,005,378)
Net insurance claims incurred	-	(4,459,852)	-	(4,459,852)
Impairment losses	(22,718,065)	60,807	(170)	(22,657,428)
Personnel expenses	(13,097,848)	(2,539,222)	(103,844)	(15,740,914)
Other general administrative expenses	(17,468,437)	(1,694,108)	(49,783)	(19,212,328)
Segment result	**20,307,060**	**213,918**	**207,758**	**20,728,736**
Income tax expense				(5,046,737)
Net profit after taxes				**15,681,999**
Other segment items				
Additions of property and equipment	7,551,042	175,758	6,651	7,733,451
Depreciation and amortisation	1,948,013	49,167	6,265	2,003,445

Interest expense is allocated on the basis of unconsolidated financial statements of each reporting segment adjusted for intra-group operations.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2015 KZT'000	2014 KZT'000
Revenues		
Total revenues for reportable segments	233,921,364	141,669,881
Elimination of revenues	(330,223)	(540,799)
Consolidated revenues	**233,591,141**	**141,129,082**
Profit or loss		
Total profit for reportable segments	17,874,001	15,681,999
Elimination of profit or loss	189,192	221,339
Consolidated profit for the year	**18,063,193**	**15,903,338**
Assets		
Total assets for reportable segments	1,985,522,263	1,333,842,821
Elimination of assets	(28,928,929)	(12,347,747)
Consolidated assets	**1,956,593,334**	**1,321,495,074**
Liabilities		
Total liabilities for reportable segments	1,842,001,169	1,217,235,163
Elimination of liabilities	(10,924,615)	(761,344)
Consolidated liabilities	**1,831,076,554**	**1,216,473,819**

The majority of revenues from external customers relate to residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan. As at 31 December 2015, the non-current assets (property, equipment and intangible assets, investment property) of KZT 14,372,181 thousand are located in the Russian Federation (31 December 2014: KZT 7,430,877 thousand).

Information about major customers

For the year ended 31 December 2015, there were no corporate customers (2014: nil) revenues from which individually exceed 10% of total revenue.

37 Risk management

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

(a) Risk management policies and procedures

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

During 2015, to comply with requirements of the Decree of the Management Board of the National Bank of the Republic of Kazakhstan dated 26 February 2014, No. 29 "On Approval of the Rules of Formation of the Risk Management and Internal Control System for the Second-Tier Banks", the Group, jointly with the international external consultants, updated the risk management and internal control system with due account of the leading global practices.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Heads of Risk Departments are responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. Supervisor of these departments is Deputy Chairman of Management Board who is reportable to Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled by Board of Directors, Management Board and through a system of Credit Committees and the Authorised Collegial Bodies (ACB). In order to facilitate efficient and effective decision-making, the Group established a hierarchy of credit committees depending on the type and amount of the exposure.

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

The Group on a daily basis calculates statutory ratios set by the NBRK. As at 31 December 2015 and 31 December 2014 the Group was in compliance with set ratios.

(b) Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Management Board/Board of Directors. Market risk limits are approved by Management Board/Board of Directors based on recommendations of the Market risk Department.

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

The Group also utilises Value-at-Risk (VAR) methodology to monitor market risk of its trading positions.

37 Risk management, continued

(b) Market risk, continued

During 2015 the Group implemented the following measures:

- improved the market risk management policies and procedures;
- improved procedures of the market risk stress testing;
- organised the system of the market risk management reporting;
- implemented the internal and market indicators of the market risk early warning.

(i) Interest rate risk

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

37 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major interest bearing financial instruments is as follows:

KZT'000	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2015							
ASSETS							
Cash and cash equivalents	6,667,249	-	-	-	-	179,086,343	185,753,592
Deposits and balances with banks and other financial institutions	123	-	5,170,757	-	-	11,575,426	16,746,306
Financial instruments at fair value through profit or loss	6,692,263	8,388,690	19,266,662	19,772,764	1,917,540	10,284	56,048,203
Available-for-sale financial assets	-	57,633	42	5,567,726	-	782,343	6,407,744
Loans to customers	170,893,200	118,775,516	527,674,638	589,045,444	183,121,520	-	1,589,510,318
Held-to-maturity investments	2,114,659	91,560	3,534,364	18,914,612	-	-	24,655,195
Amounts receivable under reverse repurchase agreements	30,000	-	-	-	-	-	30,000
	186,397,494	**127,313,399**	**555,646,463**	**633,300,546**	**185,039,060**	**191,454,396**	**1,879,151,358**
LIABILITIES							
Loans from state company	476,356	637,657	2,048,441	20,871,708	8,330,553	-	32,364,715
Deposits and balances from banks and other financial institutions	49,545,984	35,731,407	37,215,858	51,733,637	39,730,807	-	213,957,693
Financial instruments at fair value through profit or loss	-	-	-	16,289,988	-	-	16,289,988
Current accounts and deposits from customers	169,357,957	35,818,194	458,877,650	502,578,014	166,035,846	109,103,549	1,441,771,210
Debt securities issued	123,321	-	20,364,525	22,417,848	1,807,150	-	44,712,844
Subordinated debt	166,433	348,744	926,623	29,228,100	25,691,104	2,364,360	58,725,364
	219,670,051	**72,536,002**	**519,433,097**	**643,119,295**	**241,595,460**	**111,467,909**	**1,807,821,814**
	(33,272,557)	**54,777,397**	**36,213,366**	**(9,818,749)**	**(56,556,400)**	**79,986,487**	**71,329,544**

37 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2014							
ASSETS							
Cash and cash equivalents	41,010,689	-	-	-	-	101,138,027	142,148,716
Deposits and balances with banks and other financial institutions	3,704,252	-	6,297,507	3,009,312	-	-	13,011,071
Financial instruments at fair value through profit or loss	3,678,243	1,635,231	247,048	2,251,806	513,183	8,429	8,333,940
Available-for-sale financial assets	-	57,633	-	4,770,286	1,181,629	3,352,571	9,362,119
Loans to customers	133,166,722	92,485,767	312,957,711	374,441,684	147,197,050	-	1,060,248,934
Held-to-maturity investments	4,124,494	2,435,836	4,093,520	24,075,139	-	-	34,728,989
Amounts receivable under reverse repurchase agreements	380,002	-	-	-	-	-	380,002
	186,064,402	**96,614,467**	**323,595,786**	**408,548,227**	**148,891,862**	**104,499,027**	**1,268,213,771**
LIABILITIES							
Loans from state company	51,190	45,753	257,214	14,189,034	8,983,778	-	23,526,969
Deposits and balances from banks and other financial institutions	3,103,134	706,410	2,015,843	24,976,609	32,074,783	-	62,876,779
Current accounts and deposits from customers	120,631,318	75,265,574	359,906,337	263,796,270	110,581,291	79,935,086	1,010,115,876
Debt securities issued	123,321	-	11,955,560	32,119,084	2,493,025	-	46,690,990
Subordinated debt	-	515,200	928,513	23,486,202	30,954,716	2,392,153	58,276,784
	123,908,963	**76,532,937**	**375,063,467**	**358,567,199**	**185,087,593**	**82,327,239**	**1,201,487,398**
	62,155,439	**20,081,530**	**(51,467,681)**	**49,981,028**	**(36,195,731)**	**22,171,788**	**66,726,373**

37 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2015 and 31 December 2014. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2015 Average effective interest rate, %			31 December 2014 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Cash and cash equivalents	12.43	0.11	2.85	6.0	0.3	-
Deposits and balances with banks and other financial institutions	9.00	8.05	-	4.87	5.22	-
Financial instruments at fair value through profit or loss	6.52	7.15	7.05	5.25	4.70	4.29
Available-for-sale financial assets	5.65	-	-	5.58	-	-
Loans to customers	14.5	9.20	19.3	14.69	8.91	5.29
Held-to-maturity investments	5.75	-	-	5.35	0.80	-
Amounts receivable under reverse repurchase agreements	75.00	-	-	19.39	-	-
Interest bearing liabilities						
Loans from state company	3.18	-	-	3.25	-	-
Deposits and balances from banks and other financial institutions	4.89	3.13	5.36	4.40	4.34	4.32
Current accounts and deposits from customers						
- Current accounts and demand deposits	5.2	3.5	0.3	1.61	1.47	3.17
- Term deposits	10.4	4.0	10.8	8.71	4.19	2.98
Financial instruments at fair value through profit or loss	3.00	-	-	-	-	-
Debt securities issued	9.05	-	-	9.16	-	-
Subordinated debt	9.86	-	-	9.86	-	-

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities of banking book. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities expected for the period of up to twelve months existing as at 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015		31 December 2014	
	Profit or loss KZT’000	**Equity KZT’000**	**Profit or loss KZT’000**	**Equity KZT’000**
100 bp parallel fall	(218,733)	(218,733)	(455,999)	(455,999)
100 bp parallel rise	218,733	218,733	455,999	455,999

37 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate sensitivity analysis, continued

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

	31 December 2015		31 December 2014	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel fall	374,136	520,908	79,468	283,471
100 bp parallel rise	(374,136)	(520,908)	(79,468)	(283,471)

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

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

	KZT KZT'000	USD KZT'000	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS						
Cash and cash equivalents	31,987,442	130,024,079	13,771,925	9,275,435	694,711	185,753,592
Deposits and balances with banks and other financial institutions	11,849,353	4,287,414	-	609,539	-	16,746,306
Financial instruments at fair value through profit or loss	48,175,836	7,700,273	53,520	28,402	90,172	56,048,203
Available-for-sale financial assets	6,407,744	-	-	-	-	6,407,744
Loans to customers	490,143,609	987,938,373	27,180,408	84,247,928	-	1,589,510,318
Held-to-maturity investments	24,655,195	-	-	-	-	24,655,195
Amounts receivable under reverse repurchase agreements	30,000	-	-	-	-	30,000
Insurance premiums and reinsurance assets	1,376,761	-	-	-	-	1,376,761
Other financial assets	8,727,599	1,218,257	147,623	508,642	-	10,602,121
Total financial assets	**623,353,539**	**1,131,168,396**	**41,153,476**	**94,669,946**	**784,883**	**1,891,130,240**
LIABILITIES						
Loans from state company	32,364,715	-	-	-	-	32,364,715
Deposits and balances from banks and other financial institutions	92,980,726	101,912,573	18,793,720	270,674	-	213,957,693
Financial instruments at fair value through profit or loss	16,289,988	-	-	-	-	16,289,988
Current accounts and deposits from customers	232,964,808	1,090,305,676	24,373,526	93,488,662	638,538	1,441,771,210
Debt securities issued	44,712,844	-	-	-	-	44,712,844
Subordinated debt	58,725,364	-	-	-	-	58,725,364
Other financial liabilities	2,082,042	297,802	2,081	220,994	206	2,603,125
Total financial liabilities	**480,120,487**	**1,192,516,051**	**43,169,327**	**93,980,330**	**638,744**	**1,810,424,939**
Net position as at 31 December 2015	**143,233,052**	**(61,347,655)**	**(2,015,851)**	**689,616**	**146,139**	**80,705,301**
The effect of derivatives held for risk management	(52,346,579)	76,970,376	2,080,176	169,187	-	26,873,160
Net position after derivatives held for risk management purposes as at 31 December 2015	**90,886,473**	**15,622,721**	**64,325**	**858,803**	**146,139**	**107,578,461**

37 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2014:

	KZT KZT'000	USD KZT'000	EUR KZT'000	RUB KZT'000	Other currencies KZT'000	Total KZT'000
ASSETS						
Cash and cash equivalents	21,386,552	115,448,639	2,161,202	2,759,345	392,978	142,148,716
Deposits and balances with banks and other financial institutions	8,395,053	4,616,018	-	-	-	13,011,071
Financial instruments at fair value through profit or loss	7,988,409	259,688	31,735	-	54,108	8,333,940
Available-for-sale financial assets	9,362,119	-	-	-	-	9,362,119
Loans to customers	566,830,995	487,751,315	5,666,624	-	-	1,060,248,934
Held-to-maturity investments	33,047,878	1,681,111	-	-	-	34,728,989
Amounts receivable under reverse repurchase agreements	380,002	-	-	-	-	380,002
Insurance premiums and reinsurance assets	2,385,764	-	-	78	-	2,385,842
Other financial assets	7,617,223	700,041	52,625	2,701	-	8,372,590
Total financial assets	**657,393,995**	**610,456,812**	**7,912,186**	**2,762,124**	**447,086**	**1,278,972,203**
LIABILITIES						
Loans from state company	23,526,969	-	-	-	-	23,526,969
Deposits and balances from banks and other financial institutions	59,787,944	2,964,838	119,087	4,910	-	62,876,779
Current accounts and deposits from customers	291,312,543	708,126,759	7,699,058	2,612,325	365,191	1,010,115,876
Debt securities issued	46,690,990	-	-	-	-	46,690,990
Subordinated debt	58,276,784	-	-	-	-	58,276,784
Other financial liabilities	1,379,239	54,834	222	-	109	1,434,404
Total financial liabilities	**480,974,469**	**711,146,431**	**7,818,367**	**2,617,235**	**365,300**	**1,202,921,802**
Net position as at 31 December 2014	**176,419,526**	**(100,689,619)**	**93,819**	**144,889**	**81,786**	**76,050,401**
The effect of off balance derivatives held for risk management	(108,050,030)	108,753,540	-	-	-	703,510
Net position after derivatives held for risk management purposes as at 31 December 2014	**68,369,496**	**8,063,921**	**93,819**	**144,889**	**81,786**	**76,753,911**

37 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2015 and 31 December 2014 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis for the financial assets and liabilities is on a net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2015		31 December 2014	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
10% appreciation of USD against KZT (2014: 10%)	1,249,818	1,249,818	645,114	645,114
10% appreciation of EUR against KZT (2014: 10%)	5,146	5,146	7,506	7,506
10% appreciation of RUB against KZT (2014: 10%)	68,704	68,704	11,591	11,591

A strengthening of the KZT against the above currencies at 31 December 2015 and 31 December 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

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

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on equity instrument positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a 10% change in all equity securities prices is as follows:

	31 December 2015		31 December 2014	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
10% increase in securities prices	1,028	78,234	843	336,100
10% decrease in securities prices	(1,028)	(78,234)	(843)	(336,100)

(c) Credit risk

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

During 2015 the Group developed and implemented a new Credit Policy approved by the Board of Directors of the Group.

37 Risk management, continued

(c) Credit risk, continued

The credit policy establishes and determines the major requirements to be followed in lending activity, including:

- aims and objectives the Group's lending activity;
- priorities and restrictions in lending;
- credit risk limits;
- system of the credit risk limits;
- terms of granting loans to the individuals and legal entities, including entities having special relations with the Bank;
- stages and participants of the lending process;
- decision-making system;
- key principles and methods of credit risk management in the Bank;
- internal control system for the credit risk management process.

On the basis of the updated Credit Policy, which covers the key directions of the Group's activity and the system of the credit risk management instruments, the Group has built a more efficient lending process in the segments of the corporate business, small and medium-size business and retail business, as described below.

Corporate and SME loan credit applications are analysed by the Credit Analysis Department and SME lending divisions in branches, respectively, which are responsible for the analysis of issuing loans. The minimum rating required for the borrower to obtain a loan has been established in accordance with the decision of the Board of Directors of the Group.

Then, to consider a project at the meeting of the authorised body that makes decisions on concluding a transaction, the opinions of the Group's departments are provided, including:

- opinion of the Legal Department;
- opinion of the Security Department ;
- opinion of the Collateral Department;
- opinion of the Risk Management Department

For the purpose of effective risk management, the Risk Management Department, while analysing the projects, assigns a rating (probability of default) to the borrower.

Currently the Group uses the rating and scoring models for each business segment: small, medium, corporate and retail clients. In addition to the Group's own models, the Group also uses the S&P Capital IQ model.

Based on the submitted opinions, the Credit Committee makes a decision depending on the level of authority to make decisions. In this case, transactions in excess of 5% of the Group's equity are approved exclusively by the decision of the Board of Directors of the Group.

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

To achieve the Group's key performance indicators, while setting the interest rates for the customers from the corporate business, SMB and retail business, the level of credit risk accepted under each transaction is taken into account, and at least the following factors are analysed:

37 Risk management, continued

(c) Credit risk, continued

- rating/scoring (probability of default of the Borrower);
- losses if the borrower defaults;
- finding costs;
- cost of capital;
- the Bank's overheads.

As a part of this lending process, to ensure the timely response to the changes in the financial position and paying capacity of the Borrower and ability to make the appropriate management decisions, the Group exercises the ongoing monitoring of the status of individual loans, and regularly revalues the paying capacity of its borrowers. Revaluation procedures are based on analysis of the financial statements of the borrower as at the latest reporting date, or other information provided by the borrower itself or otherwise obtained by the Group.

The Group is regularly monitoring the current market value of the collateral. If the market value of the borrower's collateral decreases, the Group has a right to send a request for additional security.

To ensure the effective risk management at the portfolio level the Group uses such methods as diversification of the loan portfolio and system of management reporting, which allows exercising the regular monitoring of the Group lending activity, identifying the major problems and implementing the risk minimisation instruments as well as stress-testing of credit risk.

The Group has improved the system of credit risk limits, which comprises:

- credit risk allowable level
- limits by the categories of borrowers;
- limits on the types of lending;
- limits for the retail segment, comprising the portfolio limits and individual limits;
- limits on lending in terms of the industries, etc.

Monitoring and control are exercised periodically and findings are submitted for consideration to the Management Board/Board of Directors of the Group.

This instrument allows the Group to control the lending activity based on the strategic development targets and risk taking in different areas.

The system of management reporting is functioning within the Group, the purpose of which is to provide the high quality, reliable and accurate information on the credit risk level and its deviation from the set value. The management reports are generated at the level of both the Group and individual segments on a monthly/quarterly basis, and submitted for consideration to the Management Board/Board of Directors of the Group.

The Group has improved the methodology of credit risk stress testing, which is performed using a scenario analysis and sensitivity analysis. While performing the stress testing, the Group uses the following stress testing scenarios:

- general business scenario, which is based on assessment of influence of deterioration of the economic situation in the country, including decline in economic growth in general and in separate industries;
- scenario specific to the Group's business, which is based on assessment of influence of the local stress factors, including those related to the specifics of the Bank's lending activity and structure of its loan portfolio.

Credit risk stress testing makes it possible to respond on a timely basis to changes in macroeconomic and other indicators that may adversely affect the Group's operations, and to forecast the impact of these factors and develop risk mitigation methods.

37 Risk management, continued

(c) Credit risk, continued

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

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

	31 December 2015 KZT'000	31 December 2014 KZT'000
ASSETS		
Cash equivalents and nostro accounts	136,984,193	109,736,547
Deposits and balances with banks and other financial institutions	16,746,306	13,011,071
Financial instruments at fair value through profit or loss	56,037,920	8,325,510
Available-for-sale financial assets	5,625,401	6,009,548
Loans to customers	1,589,510,318	1,060,248,934
Held-to-maturity investments	24,655,195	34,728,989
Amounts receivable under reverse repurchase agreements	30,000	380,002
Insurance premiums and reinsurance assets	1,376,761	2,385,842
Other financial assets	10,602,121	8,372,590
Total maximum exposure	**1,841,568,215**	**1,243,199,033**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 20.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 39.

As at 31 December 2015, the Group has no debtors or groups of connected debtors (31 December 2014: nil), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

Offsetting financial assets and financial liabilities

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

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

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

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

- loans to customers collateralised by cash on bank deposits; and
- sale and repurchase agreements, and reverse sale and repurchase agreements.

37 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral. The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2015:

KZT'000 Types of financial assets/liabilities	Gross amounts of recognised financial asset/ liability	Gross amounts of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial asset/liability presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Related amounts not offset in the consolidated statement of financial position: Cash collateral received	Net amount
Loans to customers	50,511,664	-	50,511,664	-	(19,430,585)	31,081,079
Amounts receivable under reverse repurchase agreements	30,000	-	30,000	(30,000)	-	-
Total financial assets	**50,541,664**	**-**	**50,541,664**	**(30,000)**	**(19,430,585)**	**31,081,079**
Current accounts and deposits from customers	19,430,585	-	19,430,585	(19,430,585)	-	-
Current accounts and deposits from customers	348,052	(348,052)	-	-	-	-
Total financial liabilities	**19,778,637**	**(348,052)**	**19,430,585**	**(19,430,585)**	**-**	**-**

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

KZT'000 Types of financial assets/liabilities	Gross amounts of recognised financial asset/ liability	Gross amounts of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial asset/liability presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position: Financial instruments	Related amounts not offset in the consolidated statement of financial position: Cash collateral received	Net amount
Loans to customers	24,733,673	-	24,733,673	-	(16,887,513)	7,846,160
Amounts receivable under reverse repurchase agreements	380,002	-	380,002	(380,002)	-	-
Total financial assets	**25,113,675**	**-**	**25,113,675**	**(380,002)**	**(16,887,513)**	**7,846,160**
Current accounts and deposits from customers	16,887,513	-	16,887,513	(16,887,513)	-	-
Current accounts and deposits from customers	334,226	(334,226)	-	-	-	-
Total financial liabilities	**17,221,739**	**(334,226)**	**16,887,513**	**(16,887,513)**	**-**	**-**

37 Risk management, continued

(c) Credit risk, continued

Offsetting financial assets and financial liabilities, continued

The securities pledged under repurchased agreements represent the transferred financial assets that are not derecognised in their entirety.

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position at amortised cost. The amounts in the above tables that are offset in the statement of financial position are measured on the same basis.

(d) Liquidity risk

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

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

The key objectives of the Group’s liquidity risk management are as follows:

- to ensure that the Bank is able to discharge its liabilities in time and in full scope;
- to invest the Group’s free cash flows in high income earning and highly liquid assets.

In the process of liquidity risk management the Group is governed by the following principles:

- liquidity is managed on a day-to-day basis and continuously;
- sound management of assets and liabilities;
- management of access to the interbank market;
- diversification and stability of liabilities;
- application of the methods and instruments for the liquidity risk assessment, which do not contradict the regulatory legal acts of the NBRK;
- clear split of the powers and responsibility for liquidity management between the bodies of the Group, its officials and business units;
- setting of limits that ensure the adequate level of liquidity and meet the size, nature of business and financial position of the Group;
- in case of a conflict between the liquidity and returns, to make decision in favour of liquidity;
- planning of the liquidity requirements;
- regular monitoring of the decisions to provide liquidity, which have been made before.

Liquidity risk management policy provides for assessment of the total liquidity requirement under both normal and stressed conditions, taking into account the Group’s strategy and those types of activity, which expose the Group to the liquidity risk; allowable level of the Group’s risk, within the limits of which the Group sets the system of liquidity risk internal limits; size, nature and complexity of the Group’s business, and legislation of the Republic of Kazakhstan.

37 Risk management, continued

(d) Liquidity risk, continued

To manage the liquidity risk, a system of the liquidity risk management is established, which is based on the standards and instruments recommended by Basel Committee on Bank Supervision and complies with the requirements of the National Bank of the Republic of Kazakhstan and best global practices. The liquidity risk management system meets the current market situation, strategy, size and level of complexity of the Group's operations and ensures the efficient identification, measurement, monitoring and control of the Bank liquidity risk, with due consideration of the intra-group transactions.

During 2015 the Group implemented the following measures aimed at improvement of the liquidity risk management system:

1) improved the methodology regulating the liquidity risk management; developed and improved methods and instruments for the liquidity risk analysis and assessment;

- improved the liquidity risk management policies and procedures, including management of the daily, intraday, currency liquidity, with due account of the liquidity requirements under both normal and stressed condition;
- improved the risk liquidity stress testing procedures;
- reviewed a funding plan in case of emergency;
- organised a system of management reporting for liquidity risk;
- improved the instruments and indicators for liquidity risk analysis, such as a gap analysis based on both the remaining maturities under the contracts and expected cash flows;
- developed a tool to forecast future cash flows and identify potential gaps in funding under both normal and stressed conditions for the forthcoming month, using an indicator that characterises the Group's resistance to the liquidity risk in the short run – Liquidity Coverage Ratio (LCR);
- reviewed and approved the internal unconsolidated and consolidated limits of control over the Group's liquidity risk, within the annual maximum allowable level of liquidity risk;
- implemented the internal and market indicators of early warning of the liquidity risk;
- improved the internal control system.

2) The work has been performed to automate the liquidity risk management process.

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

The liquidity position is monitored on a daily basis and liquidity forecasting is performed on a regular basis by the Assets and Liabilities Management Department both under normal and stress market conditions. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a daily basis. Decisions on liquidity management are made by the authorised collegial body and implemented by the Assets and Liabilities Management Department.

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

37 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total gross amount outflow	Carrying amount
Liabilities								
Loans from state company	477,654	641,131	2,098,668	22,918,774	11,054,047	-	37,190,274	32,364,715
Deposits and balances from banks and other financial institutions	49,737,233	36,007,534	38,507,861	58,874,257	57,996,676	-	241,123,561	213,957,693
Current accounts and deposits from customers	363,143,660	36,643,413	441,423,616	537,523,601	248,880,676	12,154	1,627,627,120	1,441,771,210
Debt securities issued	130,575	-	13,170,575	30,144,600	17,810,050	-	61,255,800	44,712,844
Subordinated debt	-	635,516	4,098,760	45,907,866	33,114,261	2,364,360	86,120,763	58,725,364
Other financial liabilities	1,786,088	412,300	289,761	187,672	-	325	2,676,146	2,603,125
Gross settled derivative liabilities								
- Inflow	(246,380)	(170,931)	(593,612)	(44,005,132)	-	-	(45,016,055)	(39,539,654)
- Outflow	-	-	-	55,829,642	-	-	55,829,642	55,829,642
Total liabilities	**415,028,830**	**74,168,963**	**498,995,629**	**707,381,280**	**368,855,710**	**2,376,839**	**2,066,807,251**	**1,810,424,939**
Credit related commitments	189,234,913	-	-	-	-	-	189,234,913	193,549,137

Future interest payments for non-redeemable cumulative preference shares, which are payable annually, are not included in the table above.

37 Risk management, continued

(d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2014 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Total gross amount outflow	Carrying amount
Liabilities								
Loans from state company	51,342	46,024	264,080	15,704,109	12,181,340	-	28,246,895	23,526,969
Deposits and balances from banks and other financial institutions	3,117,333	712,875	2,098,857	29,090,827	49,686,281	-	84,706,173	62,876,779
Current accounts and deposits from customers	158,507,858	118,383,543	375,424,896	309,527,250	174,481,497	24,754	1,136,349,798	1,010,115,876
Debt securities issued	130,658	-	6,309,872	42,746,575	17,332,748	-	66,519,853	46,690,990
Subordinated debt	-	636,000	4,127,482	51,081,408	33,114,261	2,392,153	91,351,304	58,276,784
Other financial liabilities	751,818	261,175	379,840	-	-	41,571	1,434,404	1,434,404
Gross settled derivative liabilities								
- Inflow	-	(70,040)	(617,312)	(12,465,419)	-	-	(13,152,771)	-
- Outflow	-	-	444,934	11,111,150	-	-	11,556,084	-
Total liabilities	**162,559,009**	**119,969,577**	**388,432,649**	**446,795,900**	**286,796,127**	**2,458,478**	**1,407,011,740**	**1,202,921,802**
Credit related commitments	182,416,794	-	-	-	-	-	182,416,794	182,416,794

The tables above show the undiscounted cash flows of non-derivative financial liabilities, including issued financial guarantee contracts, and unrecognised loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. In accordance with Russian legislation, individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. Accordingly, these deposits, excluding accrued interest, are shown in the table above in the category of "Demand and less than 1 month".

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

37 Risk management, continued

(d) Liquidity risk, continued

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. In the tables below the following financial assets and liabilities are presented on a discounted basis and are based on their contractual cash flows:

The table below shows an analysis, by contractual maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2015:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	185,753,592	-	-	-	-	-	-	185,753,592
Deposits and balances with banks and other financial institutions	10,966,010	-	5,170,757	-	-	609,539	-	16,746,306
Financial instruments at fair value through profit or loss	6,692,263	8,388,690	19,266,662	19,772,764	1,917,540	10,284	-	56,048,203
Available-for-sale financial assets	-	57,633	42	5,567,726	-	782,343	-	6,407,744
Loans to customers	113,320,138	118,775,516	527,674,638	589,045,444	183,121,520	-	57,573,062	1,589,510,318
Held-to-maturity investments	2,114,659	91,560	3,534,364	18,914,612	-	-	-	24,655,195
Amounts receivable under reverse repurchase agreements	30,000	-	-	-	-	-	-	30,000
Property, equipment and intangible assets	-	-	-	-	-	44,314,124	-	44,314,124
Investment property	-	-	-	294,947	-	3,880,953	-	4,175,900
Insurance premiums and reinsurance assets	418,310	40,227	615,536	242,965	-	-	852,062	2,169,100
Long-term assets held for sale	-	-	3,732,022	-	-	-	-	3,732,022
Current tax asset	2,336	-	3,426,384	-	-	-	-	3,428,720
Deferred tax asset	-	-	15,103	-	96,145	373,581	-	484,829
Other assets	4,047,125	1,890,303	2,733,950	6,811,986	55,303	1,412,051	2,186,563	19,137,281
Total assets	**323,344,433**	**129,243,929**	**566,169,458**	**640,650,444**	**185,190,508**	**51,382,875**	**60,611,687**	**1,956,593,334**
Non-derivative liabilities								
Loans from state company	476,356	637,657	2,048,441	20,871,708	8,330,553	-	-	32,364,715
Deposits and balances from banks and other financial institutions	49,545,984	35,731,407	37,215,858	51,733,637	39,730,807	-	-	213,957,693
Financial instruments at fair value through profit or loss	-	-	-	16,289,988	-	-	-	16,289,988
Current accounts and deposits from customers	278,449,352	35,818,194	458,877,650	502,578,014	166,035,846	12,154	-	1,441,771,210
Debt securities issued	123,321	-	10,364,525	22,417,848	11,807,150	-	-	44,712,844
Subordinated debt	166,433	348,744	926,623	29,228,100	25,691,104	2,364,360	-	58,725,364
Insurance contract provisions	31,387	403,771	4,627,937	776,245	25,131	-	-	5,864,471
Deferred tax liability	-	-	8,889,801	-	-	-	-	8,889,801
Current tax liability	225,005	-	360,835	-	-	-	-	585,840
Other liabilities	4,732,326	569,736	2,056,384	503,527	52,330	325	-	7,914,628
Total liabilities	**333,750,164**	**73,509,509**	**525,368,054**	**644,399,067**	**251,672,921**	**2,376,839**	**-**	**1,831,076,554**
Net position	**(10,405,731)**	**55,734,420**	**40,801,404**	**(3,748,623)**	**(66,482,413)**	**49,006,036**	**60,611,687**	**125,516,780**

37 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	142,148,716	-	-	-	-	-	-	142,148,716
Deposits and balances with banks and other financial institutions	3,704,252	-	6,297,507	3,009,312	-	-	-	13,011,071
Financial instruments at fair value through profit or loss	3,678,243	1,635,231	247,048	2,251,806	513,183	8,429	-	8,333,940
Available-for-sale financial assets	-	57,633	-	4,770,286	1,181,629	3,352,571	-	9,362,119
Loans to customers	101,958,980	92,485,767	312,957,711	374,441,684	147,197,050	-	31,207,742	1,060,248,934
Held-to-maturity investments	4,124,494	2,435,836	4,093,520	24,075,139	-	-	-	34,728,989
Amounts receivable under reverse repurchase agreements	380,002	-	-	-	-	-	-	380,002
Property, equipment and intangible assets	-	-	-	-	-	26,112,447	-	26,112,447
Investment property	-	-	-	-	-	1,241,153	-	1,241,153
Insurance premiums and reinsurance assets	1,927	311,173	2,153,017	3,818	-	-	-	2,469,935
Long-term assets held for sale	-	44,425	79,594	-	-	-	-	124,019
Current tax asset	1,796	158,707	27,287	-	-	-	-	187,790
Deferred tax asset	-	-	-	28,692	-	-	-	28,692
Other assets	1,530,908	703,903	8,623,575	1,838,919	67,293	9,248,443	1,104,226	23,117,267
Total assets	**257,529,318**	**97,832,675**	**334,479,259**	**410,419,656**	**148,959,155**	**39,963,043**	**32,311,968**	**1,321,495,074**
Non-derivative liabilities								
Loans from state company	51,190	45,753	257,214	14,189,034	8,983,778	-	-	23,526,969
Deposits and balances from banks and other financial institutions	3,103,134	706,410	2,015,843	24,976,609	32,074,783	-	-	62,876,779
Current accounts and deposits from customers	215,855,725	62,595,574	357,262,262	263,796,270	110,581,291	24,754	-	1,010,115,876
Debt securities issued	123,321	-	2,780,970	32,119,084	11,667,615	-	-	46,690,990
Subordinated debt	-	515,200	928,513	23,486,202	30,954,716	2,392,153	-	58,276,784
Insurance contract provisions	169,246	1,219,131	3,408,736	1,347,833	84,293	-	-	6,229,239
Deferred tax liability	-	970	3,900,592	-	-	-	-	3,901,562
Current tax liability	-	43,572	-	-	-	-	-	43,572
Other liabilities	1,875,378	1,130,308	961,623	799,487	-	45,252	-	4,812,048
Total liabilities	**221,177,994**	**66,256,918**	**371,515,753**	**360,714,519**	**194,346,476**	**2,462,159**	**-**	**1,216,473,819**
Net position	**36,351,324**	**31,575,757**	**(37,036,494)**	**49,705,137**	**(45,387,321)**	**37,500,884**	**32,311,968**	**105,021,255**

38 Capital management

NBRK sets and monitors capital requirements for the Bank as a whole.

As at 31 December 2014, the Bank defines as capital those items defined by statutory regulation as capital for credit institutions.

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

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

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

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

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

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

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

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

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

- k1-1 – not less than 0.05
- k1-2 – not less than 0.05
- k2 – not less than 0.1.

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

- As at 31 December 2015, tier 1 capital is a total of basic and additional capital. Basic capital comprises ordinary share capital, share premium, current and prior periods' retained earnings and reserves created thereof, less treasury share capital, intangible assets including goodwill, and current and prior periods losses, deferred tax asset net of deferred tax liability and other revaluation reserves. Additional capital comprises of perpetual contracts and paid-in preference share capital less adjustments for the Bank's investment in its own perpetual financial instruments and treasury preference shares.

- Tier 2 capital comprises subordinated debt in KZT less investments in subordinated debt of financial institutions the Bank holds 10% and more shares in.

38 Capital management, continued

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

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

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

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

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

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

The Bank complied with all externally imposed capital requirements as at 31 December 2015 and 31 December 2014. As at 31 December 2015 Bank's coefficients are as follows: k1 – 0.069, k1-2 – 0.070 and k2 – 0.095 (31 December 2014: k1-1 – 0. 071, k1-2 – 0.076 and k2 – 0.127).

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

	31 December 2015 KZT'000	31 December 2014 KZT'000
Tier 1 capital		
Basic capital:		
Ordinary share capital[1]	59,239,830	61,739,830
Additional paid-in capital	1,770	1,770
Statutory retained earnings of prior years	18,366,936	2,855,449
Retained earnings of current period[2]	16,127,676	-
Reserves formed from statutory retained earnings of prior years	28,613,885	28,613,885
Revaluation reserve of available-for-sale financial assets[3]	(207,564)	-
Statutory adjustments:		
Intangible assets including goodwill[4]	(1,461,561)	(199,596)
Total basic capital	**120,680,972**	**n/a**
Additional capital:		
Paid-in preference share capital not satisfying for basic capital requirements	2,500,000	-
Tier 1 capital	**123,180,972**	**93,011,338**

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

38 Capital management, continued

	31 December 2015 KZT'000	31 December 2014 KZT'000
Tier 2 capital		
Revaluation reserve of available-for-sale financial assets	-	24,218
Subordinated debt placed before 1 January 2015 denominated in KZT	53,291,857	-
Subordinated debt included in total capital up to 50% of Tier 1 capital less repurchased subordinated debt of the Bank	-	46,505,669
Retained earnings of current period	-	15,508,912
Statutory adjustments::		
Less investments in subordinated debt of financial institutions the Bank holds 10% and more shares in	(9,690,285)	-
Total tier 2 capital	**43,601,572**	**62,038,799**
Total capital	**166,782,544**	**155,050,137**
Total statutory assets less not invested funds accepted based on custody agreements	**n/a**	**1,316,849,477**
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk		
Credit risk-weighted assets	1,662,545,890	1,133,440,880
Credit risk-weighted contingent liabilities	49,243,824	55,226,278
Credit risk-weighted derivative financial instruments	1,976,983	579,890
Market risk-weighted assets and contingent liabilities	15,544,122	10,488,820
Operational risk	31,138,592	19,667,912
Risk-weighted assets, contingent liabilities and derivative financial instruments and operational risk	**1,760,449,411**	**1,219,403,780**
k1 (31 December 2014: k1-1)	**0.069**	**0.071**
k1-2	**0.070**	**0.076**
k2	**0.095**	**0.127**

The Bank is also subject to minimum capital adequacy requirements calculated in accordance with NBRK established by covenants under borrowings of the Bank. The Bank complied with all externally imposed capital requirements as at 31 December 2015 and 31 December 2014.

39 Commitments

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

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

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

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

	31 December 2015 KZT'000	31 December 2014 KZT'000
Contracted amount		
Loan and credit line commitments	89,050,027	122,532,863
Guarantees	95,955,888	53,464,123
Letters of credit	7,536,807	6,041,160
Credit card commitments	812,016	378,648
Unused overdrafts	194,399	-
	193,549,137	**182,416,794**

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

As at 31 December 2015, the Group has outstanding contractual commitments that exceed 10% of capital to one client for the total amount of KZT 49,981,470 thousand. Of these commitments, KZT 49,981,470 thousand are related to the guarantees issued by the Group.

40 Operating leases

Leases as lessee

Non-cancellable operating lease rentals as at 31 December 2015 and 31 December 2014 are payable as follows:

	31 December 2015 KZT'000	31 December 2014 KZT'000
Less than 1 year	345,951	476,425

The Group leases a number of premises and equipment under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current period KZT 3,586,561 thousand was recognised as an expense in the consolidated statement of profit or loss and other comprehensive income in respect of operating leases (31 December 2014: KZT 3,831,185 thousand).

41 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

42 Related party transactions

(a) Control relationships

The party with ultimate control over the Group is Mr Zhaksybek D.A., who is the major shareholder of Tsesna Corporation JSC and trustee of shares of Tsesna Corporation JSC owned by Jaxybekov A.R. The Group’s parent Financial Holding Tsesna JSC (the “Parent company”) produces publicly available financial statements.

(b) Transactions with the members of the Board of Directors and the Management Board

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

	2015 KZT’000	**2014 KZT’000**
Members of the Board of Directors	66,304	46,472
Members of the Management Board	938,114	802,096
	1,004,418	**848,568**

42 Related party transactions, continued

(b) Transactions with the members of the Board of Directors and the Management Board, continued

The outstanding balances and average interest rates as at 31 December for transactions with the members of the Board of Directors and the Management Board are as follows:

	31 December 2015 KZT'000	Average interest rate %	31 December 2014 KZT'000	Average interest rate %
Consolidated statement of financial position				
ASSETS				
Loans to customers	88,209	12.00	139,211	10.61
Loan impairment allowance	(1,509)	-	(35)	-
Other assets	-	-	4	-
LIABILITIES				
Current accounts and deposits from customers	8,063,011	1.68	2,961,076	4.93
Other liabilities	17	-	17	-
Items not recognised in the consolidated statement of financial position				
Commitments	15,277	-	242	-

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board are as follows:

	2015 KZT'000	2014 KZT'000
Profit or loss		
Interest income	5,429	13,810
Interest expense	(232,037)	(94,083)
	(226,608)	**(80,273)**

42 Related party transactions, continued

(c) Transactions with other related parties

Other related parties include the parent company, ultimate parent company, fellow subsidiaries and other related entities. The outstanding balances and the related average interest rates as at 31 December 2015 and related profit or loss amounts of transactions for the year ended 31 December 2015 with other related parties are as follows.

	Parent company		Ultimate parent company and other fellow subsidiaries		Other*		
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated statement of financial position							
ASSETS							
Available-for-sale financial assets							
In KZT	-	-	-	-	726,983	-	726,983
Loans to customers							
In KZT:							
Gross loan exposure	-	-	-	-	10,851	12.36	10,851
Allowance for impairment	-	-	-	-	(9)	-	(9)
In other currency:							
Gross loan exposure	-	-	-	-	178,559	12.00	178,559
Other assets	-	-	1,800,099	-	1	-	1,800,100
LIABILITIES							
Current accounts and deposits from customers							
In KZT	9,450	6.88	166,256	7.82	218,679	1.36	394,385
In USD	6,330,612	5.90	34,387,907	5.78	22,802,656	5.64	63,521,175
In other currency	-	-	-	-	783,690	3.14	783,690
Other liabilities	-	-	10	-	11	-	21
Items not recognised in the consolidated statement of financial position							
Commitments	-	-	-	-	6,413	-	6,413
Consolidated statement of profit or loss and other comprehensive income							
Interest income	-		-		1,627		1,627
Interest expense	(286,931)		(1,783,376)		(577,130)		(2,647,437)
Income from insurance activities	-		276		-		276
Fee and commission income	381		3,144		2,864		6,389
Other income	-				1		1
Other general administrative expenses	(104,018)		(759,744)		-		(863,762)

42 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as at 31 December 2014 and related profit or loss amounts of transactions for the year ended 31 December 2014 with other related parties are as follows.

	Parent company		Ultimate parent company and other fellow subsidiaries		Other*		
	KZT'000	**Average interest rate, %**	**KZT'000**	**Average interest rate, %**	**KZT'000**	**Average interest rate, %**	**Total KZT'000**
Consolidated statement of financial position							
ASSETS							
Loans to customers							
In KZT:							
Principal balance	-	-	-	-	9,166	11.27	9,166
Allowance for impairment	-	-	-	-	(2)	-	(2)
Other assets	-	-	1,813,037	-	6	-	1,813,043
LIABILITIES							
Current accounts and deposits from customers							
In KZT	12,082	6.75	225,819	5.99	153,733	7.16	391,634
In USD	12,743,392	3.29	23,234,044	3.40	1,711,514	5.82	37,688,950
In other currency	-	-	-	-	445,745	1.00	445,745
Other liabilities	-	-	2,018	-	9	-	2,027
Items not recognised in the consolidated statement of financial position							
Guarantees received	-	-	-	-	22,000	-	22,000
Commitments	-	-	-	-	5,305	-	5,305
Consolidated statement of profit or loss and other comprehensive income							
Interest income	-		-		1,427		1,427
Interest expense	(55,676)		(191,593)		(110,181)		(357,450)
Income from insurance activities	-		485		-		485
Fee and commission income	1,478		6,049		256		7,783
Other general administrative expenses	-		(778,906)		-		(778,906)

* Other related parties are the entities that are controlled by the ultimate controlling party.

43 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

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

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	185,753,592	-	-	185,753,592	185,753,592
Deposits and balances with banks and other financial institutions	-	-	16,746,306	-	-	16,746,306	16,746,306
Financial instruments at fair value through profit or loss	56,048,203	-	-	-	-	56,048,203	56,048,203
Available-for-sale financial assets	-	-	-	6,407,744	-	6,407,744	6,407,744
Loans to customers	-	-	1,589,510,318	-	-	1,589,510,318	1,524,391,097
Held-to-maturity investments:							
Government bonds	-	23,539,806	-	-	-	23,539,806	22,512,457
Corporate bonds	-	1,115,389	-	-	-	1,115,389	1,024,234
Amounts receivable under reverse repurchase agreements	-	-	30,000	-	-	30,000	30,000
Insurance premiums and reinsurance assets	-	-	1,376,761	-	-	1,376,761	1,376,761
Other financial assets	-	-	10,602,121	-	-	10,602,121	10,602,121
	56,048,203	**24,655,195**	**1,804,019,098**	**6,407,744**	**-**	**1,891,130,240**	**1,824,892,515**
Loans from state company	-	-	-	-	32,364,715	32,364,715	32,364,715
Deposits and balances from banks and other financial institutions	-	-	-	-	213,957,693	213,957,693	213,957,693
Financial instruments at fair value through profit or loss	16,289,988	-	-	-	-	16,289,988	16,289,988
Current accounts and deposits from customers	-	-	-	-	1,441,771,210	1,441,771,210	1,438,958,195
Debt securities issued	-	-	-	-	44,712,844	44,712,844	43,508,157
Subordinated debt	-	-	-	-	58,725,364	58,725,364	56,241,007
Other financial liabilities	-	-	-	-	2,603,125	2,603,125	2,603,125
	16,289,988	**-**	**-**	**-**	**1,794,134,951**	**1,810,424,939**	**1,803,922,880**

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

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2014:

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	142,148,716	-	-	142,148,716	142,148,716
Deposits and balances with banks and other financial institutions	-	-	13,011,071	-	-	13,011,071	13,011,071
Financial instruments at fair value through profit or loss	8,333,940	-	-	-	-	8,333,940	8,333,940
Available-for-sale financial assets	-	-	-	9,362,119	-	9,362,119	9,362,119
Loans to customers	-	-	1,060,248,934	-	-	1,060,248,934	1,024,039,360
Held-to-maturity investments:							
Government bonds	-	33,619,034	-	-	-	33,619,034	33,947,440
Corporate bonds	-	1,109,955	-	-	-	1,109,955	1,087,285
Amounts receivable under reverse repurchase agreements	-	-	380,002	-	-	380,002	380,002
Insurance premiums and reinsurance assets	-	-	2,385,842	-	-	2,385,842	2,385,842
Other financial assets	-	-	8,372,590	-	-	8,372,590	8,372,590
	8,333,940	**34,728,989**	**1,226,547,155**	**9,362,119**	**-**	**1,278,972,203**	**1,243,068,365**
Loans from state company	-	-	-	-	23,526,969	23,526,969	23,526,969
Deposits and balances from banks and other financial institutions	-	-	-	-	62,876,779	62,876,779	62,876,779
Current accounts and deposits from customers	-	-	-	-	1,010,115,876	1,010,115,876	1,017,764,153
Debt securities issued	-	-	-	-	46,690,990	46,690,990	48,610,072
Subordinated debt	-	-	-	-	58,276,784	58,276,784	55,310,074
Other financial liabilities	-	-	-	-	1,434,404	1,434,404	1,434,404
	-	-	-	-	**1,202,921,802**	**1,202,921,802**	**1,209,522,451**

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

(a) Accounting classifications and fair values, continued

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

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

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

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

The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

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

As disclosed in Note 19, the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 742,577 thousand (31 December 2014: KZT 46,548 thousand) cannot be determined.

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

- discount rates of 5.0% - 16.0% and 8.3% – 25.0% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively
- discount rates of 2.4% – 12.7% and 1.8% – 8.3% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively
- quoted market prices are used for determination of fair value of debt securities issued.

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

(b) Fair value hierarchy

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

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

The table below analyses financial instruments measured at fair value as at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

KZT'000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Assets	8,787,737	1,409,956	45,850,510	56,048,203
- Liabilities	-	-	(16,289,988)	(16,289,988)
Available-for-sale financial assets				
- Debt and other fixed income instruments	129,704	5,495,697	-	5,625,401
- Equity investments	1,978	37,788	-	39,766
	8,919,419	**6,943,441**	**29,560,522**	**45,423,382**

Securities, which are listed on the KASE but which do not have an active market as at 31 December 2014, are classified as level 2 in the fair value hierarchy. As at 31 December 2015 financial instruments categorised to Level 2 category include government securities of KZT 3,298,127 thousand.

The table below analyses financial instruments measured at fair value as at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

KZT'000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss	1,726,714	2,928,983	3,678,243	8,333,940
Available-for-sale financial assets				
- Debt and other fixed income instruments	1,259,578	4,749,970	-	6,009,548
- Equity investments	-	3,306,023	-	3,306,023
	2,986,292	**10,984,976**	**3,678,243**	**17,649,511**

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

(b) Fair value hierarchy, continued

Securities, which are listed on the KASE but which do not have an active market as at 31 December 2014, are classified as Level 2 in the fair value hierarchy. As at 31 December 2014 financial instruments categorised to Level 2 category include government securities of KZT 4,942,521 thousand.

Unobservable valuation differences on initial recognition

The transaction price of the swap transactions with the NBRK is different from fair value of the swap instruments in the principal markets (Note 18). At initial recognition, the Group estimates the fair values of the swaps transacted with the NBRK using valuation techniques.

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

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

	Level 3		
	Financial instruments at fair value through profit or loss		
KZT'000	**Derivative assets**	**Derivative liabilities**	**Total**
Balance at beginning of the year	3,678,243	-	3,678,243
Net gain on financial instruments at fair value through profit or loss	105,479,158	16,668,944	88,810,214
Settlement	(66,728,795)	(378,956)	(66,349,839)
Interest paid	3,421,904	-	3,421,904
Balance at end of the year	**45,850,510**	**16,289,988**	**29,560,522**

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

	Level 3	
	Financial instruments at fair value through profit or loss	**Total**
KZT'000	**Derivative assets**	
Balance at beginning of the year	-	-
Net gain on financial instruments at fair value through profit or loss	316,163	316,163
Settlement	(257,392)	(257,392)
Interest paid	3,619,472	3,619,472
Balance at end of the year	**3,678,243**	**3,678,243**

To determine the fair value of the swaps, management assumed a risk free interest rate in KZT of 12.7% and a rate in USD of 0.3%. Management assumes that the early termination right will not be exercised by NBRK until maturity.

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

(b) Fair value hierarchy, continued

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

As at 31 December 2015 if the risk-free interest rate applied to KZT cash flows increased by 1% and in USD increased by 0.1%, the fair value of the currency swaps with the NBRK in Level 3 of the hierarchy would increase by KZT 287,308 thousand (31 December 2014: KZT 372,480 thousand). As at 31 December 2015 if the estimated maturity of the instrument decrease by one month the fair value of the currency swaps with the NBRK in Level 3 of the hierarchy would decrease by KZT 1,210,062 thousand (31 December 2014: decrease by KZT 375,033 thousand).

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

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	185,753,592	-	185,753,592	185,753,592
Deposits and balances with banks and other financial institutions	-	16,746,306	-	16,746,306	16,746,306
Loans to customers	-	1,424,619,129	99,771,968	1,524,391,097	1,589,510,318
Held-to-maturity investments	-	23,536,691	-	23,536,691	24,655,195
Amounts receivable under reverse repurchase agreements	-	30,000	-	30,000	30,000
Liabilities					
Loans from state company	-	32,364,715	-	32,364,715	32,364,715
Deposits and balances from banks and other financial institutions	-	213,957,693	-	213,957,693	213,957,693
Current accounts and deposits from customers	-	1,438,958,195	-	1,438,958,195	1,441,771,210
Debt securities issued	-	43,508,157	-	43,508,157	44,712,844
Subordinated debt	-	56,241,007	-	56,241,007	58,725,364

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2014:

KZT'000	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	142,148,716	-	142,148,716	142,148,716
Deposits and balances with banks and other financial institutions	-	13,011,071	-	13,011,071	13,011,071
Loans to customers	-	969,053,846	54,985,514	1,024,039,360	1,060,248,934
Held-to-maturity investments	12,366,988	22,667,737	-	35,034,725	34,728,989
Amounts receivable under reverse repurchase agreements	-	380,002	-	380,002	380,002
Liabilities					
Loans from state company	-	23,526,969	-	23,526,969	23,526,969
Deposits and balances from banks and other financial institutions	-	62,876,779	-	62,876,779	62,876,779
Current accounts and deposits from customers	-	1,017,764,153	-	1,017,764,153	1,010,115,876
Debt securities issued	-	48,610,072	-	48,610,072	46,690,990
Subordinated debt	-	55,310,074	-	55,310,074	58,276,784

44 Acquisition of subsidiary

On 31 December 2015, the Group obtained control of Plus Bank PJSC, by acquiring of 47% of the shares and voting interests in the company from third parties for the consideration of KZT 3,401,438 thousand paid in cash. As a result, the Group's equity interest in Plus Bank PJSC increased from 19.97% to 67.38% of the voting shares.

The Group accounted for this transaction in accordance with IFRS 3 because the Group obtained control of an integrated set of activities and assets that is capable of being conducted and managed to provide a return to the Group. Taking control of Plus Bank PJSC will enable the Group to expand its presence in the Russian market**.**

If the acquisition had occurred on 1 January 2015, interest and other operating income and the profit before income tax of the Group for the year would have been lower by KZT 570,013 thousand. In determining these figures it has been assumed that the fair value adjustments at 1 January 2015 would have been the same as the fair value adjustments that arose on the date of acquisition.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

KZT'000	**Recognised fair values on acquisition 31 December 2015**
ASSETS	
Cash and cash equivalents	12,862,831
Deposits and balances with banks and other financial institutions	609,539
Financial instruments at fair value through profit or loss	3,513,843
Loans to customers	85,452,804
Long-term assets held for sale	3,273,515
Investment property	2,904,733
Property, equipment and intangible assets	4,191,477
Deferred tax asset	373,581
Other assets	1,036,531
Total assets	**114,218,854**
LIABILITIES	
Deposits and balances from banks and other financial institutions	275,863
Current accounts and deposits from customers	94,158,526
Subordinated debt	9,702,569
Current tax liability	225,005
Other liabilities	1,048,572
Total liabilities	**105,410,535**
Net identifiable assets and liabilities	**8,808,319**
Carrying value of available-for-sale investments at acquisition date	(2,403,213)
Consideration paid	(3,401,438)
Non-controlling interest	(2,838,115)
Gain from business acquisition	**165,553**
Cash and cash equivalents at acquisition date	12,862,831
Consideration paid in cash	(3,401,438)
Net cash receipts	**9,461,393**

The Group involved independent appraisal company, PricewaterhouseCoopers Consulting LLC, to conduct valuation of fair values of the net identifiable assets and liabilities at acquisition date. The following assumptions are used by independent appraiser to estimate the fair values of financial instruments:

- discount rates of 16.4% and 15.7% – 29.2% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively

44 Acquisition of subsidiary, continued

- discount rates of 13.2% and 13.5% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively

Gain from business acquisition was recognised as other income in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 in accordance with the requirements of IFRS 3.

45 Subsequent events

On 12 January 2016 the Group acquired ordinary shares of Plus Bank from non-controlling shareholders for the total amount of KZT 1,217,955 thousand increasing the equity interest from 67.38% to 83.32% of voting shares (from 69.07% to 84% of all shares).