JSC HALYK BANK

Consolidated Financial Statements
and Independent Auditor’s Report
For the Years Ended 31 December 2015,
2014 and 2013

JSC HALYK BANK

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JSC HALYK BANK

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

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

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the years ended 31 December 2015, 2014 and 2013 were approved by the Management Board on 10 March 2016.

On behalf of the Management Board:

Umut B. Shayakhmetova	**Pavel A. Cheussov**
Chairperson of the Board	**Chief Accountant**
10 March 2016	10 March 2016
Almaty, Kazakhstan	Almaty, Kazakhstan

Deloitte.

Deloitte, LLP
36 Al Farabi Ave.
Almaty, 050059
Republic of Kazakhstan

Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
deloitte.kz

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of JSC Halyk Bank:

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 JSC Halyk Bank and its subsidiaries as at 31 December 2015, 2014 and 2013, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 5 to the financial statements for the years ended 31 December 2015, 2014 and 2013, which describes the restatement of corresponding figures in the consolidated statement of cash flows for the year ended 31 December 2014. Our audit opinion is not qualified in that respect.

Deloitte, LLP

Deloitte, LLP
State license on auditing in the Republic of Kazakhstan Number 0000015, type MFU-2, given by the Ministry of Finance of Kazakhstan dated 13 September 2006

Nurlan Bekenov
Engagement Partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate No. 0082
dated 13 June 1994
General Director
Deloitte,LLP

10 March 2016
Almaty, Kazakhstan

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

(Millions of Kazakhstani Tenge)

	Notes	31 December 2015	31 December 2014	31 December 2013
ASSETS				
Cash and cash equivalents	7	1,404,680	540,537	486,313
Obligatory reserves	8	68,389	48,225	44,276
Financial assets at fair value through profit or loss	9	177,070	15,727	1,334
Amounts due from credit institutions	10	44,993	27,095	25,808
Available-for-sale investment securities	11	378,520	386,423	350,552
Precious metals		2,436	1,385	16,857
Loans to customers	12, 39	2,176,069	1,648,013	1,482,245
Investment property	13	24,658	5,684	906
Commercial property	14	9,632	-	-
Property and equipment	15	82,462	79,564	63,614
Assets held for sale	17	11,405	8,798	2,912
Goodwill	6	4,954	4,954	3,085
Intangible assets	16	8,659	8,664	5,617
Current income tax assets	24	16,469	530	1,344
Deferred income tax assets	24	1,919	447	301
Insurance assets	18	23,857	20,320	13,379
Other assets	19	18,766	13,416	7,871
TOTAL ASSETS		4,454,938	2,809,782	2,506,414
LIABILITIES AND EQUITY				
LIABILITIES				
Amounts due to customers	20, 39	3,043,731	1,848,213	1,766,648
Amounts due to credit institutions	21	168,258	107,192	107,395
Financial liabilities at fair value through profit or loss	9	5,593	3,131	69
Debt securities issued	22	597,525	311,009	189,515
Provisions	23	982	407	4,163
Current income tax liability	24	379	2,444	2,257
Deferred tax liability	24	37,362	10,673	4,520
Insurance liabilities	18	50,983	38,807	29,715
Other liabilities	25	20,197	12,685	9,953
Total liabilities		3,925,010	2,334,561	2,114,235
EQUITY				
Share capital	26	143,695	143,695	143,695
Share premium reserve		2,039	1,439	1,415
Treasury shares		(103,175)	(78,994)	(77,534)
Retained earnings and other reserves		487,369	409,081	323,670
		529,928	475,221	391,246
Non-controlling interest		-	-	933
Total equity		529,928	475,221	392,179
TOTAL LIABILITIES AND EQUITY		4,454,938	2,809,782	2,506,414

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

10 March 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2016
Almaty, Kazakhstan

The notes on pages 12 to 109 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013
(Millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Interest income	28, 39	254,856	210,593	182,563
Interest expense	28, 39	(104,552)	(77,458)	(75,932)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	28	150,304	133,135	106,631
Impairment charge	23	(12,117)	(7,387)	(26,021)
NET INTEREST INCOME		138,187	125,748	80,610
Fee and commission income	29	53,308	58,638	51,406
Fee and commission expense	29	(10,837)	(8,559)	(7,139)
Fees and commissions, net		42,471	50,079	44,267
Net gain on financial assets and liabilities at fair value through profit or loss	30	192,324	7,842	261
Net realized (loss)/gain from available-for-sale investment securities		(252)	(230)	1,884
Net foreign exchange (loss)/gain	31	(161,022)	7,086	9,261
Insurance underwriting income	32	25,574	20,678	19,411
Other income		9,037	5,366	1,780
OTHER NON-INTEREST INCOME		65,661	40,742	32,597
Operating expenses	33	(70,805)	(62,410)	(54,820)
Impairment loss of assets held for sale	17	-	(102)	-
(Provisions)/recoveries of provisions	23	(359)	4,036	210
Insurance claims incurred, net of reinsurance	18, 32	(22,793)	(16,195)	(13,933)
NON-INTEREST EXPENSES		(93,957)	(74,671)	(68,543)
INCOME BEFORE INCOME TAX EXPENSE		152,362	141,898	88,931
Income tax expense	24	(32,050)	(27,521)	(16,522)
NET INCOME		120,312	114,377	72,409
Attributable to:				
Common shareholders		118,913	112,406	70,903
Preferred shareholders		1,399	1,971	1,234
Non-controlling interest		-	-	272
		120,312	114,377	72,409
Basic earnings per share (in Kazakhstani Tenge)	34	10.79	10.32	6.41
Diluted earnings per share (in Kazakhstani Tenge)	34	10.29	9.40	5.50

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

10 March 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2016
Almaty, Kazakhstan

The notes on pages 12 to 109 form an integral part of these consolidated financial statements.

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

(Millions of Kazakhstani Tenge)

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Net income	120,312	114,377	72,409
Other comprehensive income/(loss), net of tax			
Items that will not be subsequently reclassified to profit or loss:			
Gain/(loss) resulting on revaluation of property and equipment (2015, 2014, 2013 – net of tax – KZT Nil, KZT 1,168 million, KZT 127 million)	56	4,170	(518)
Items that may be subsequently reclassified to profit or loss:			
Loss on revaluation of available-for-sale investment securities (2015, 2014, 2013 – net of tax –KZT Nil)	(14,535)	(12,125)	(7,037)
Difference between carrying amount and fair value of investments held-to-maturity at the reclassification date (2013 – net of tax KZT 443 million)	-	-	1,744
Reclassification adjustment relating to available-for-sale investment securities disposed of in the year (2015, 2014, 2013 – net of tax – KZT Nil)	252	230	(1,884)
Reclassification adjustment relating to available-for-sale investment securities impaired during the year (2015, 2014, 2013 – net of tax – KZT Nil)	4,171	813	41
Exchange differences on translating foreign operations (2015, 2014, 2013 – net of tax – KZT Nil)	5,540	(1,447)	(520)
Other comprehensive loss for the year	(4,516)	(8,359)	(8,174)
Total comprehensive income for the year	115,796	106,018	64,235
Attributable to:			
Non-controlling interest	-	-	263
Preferred shareholders	1,347	1,599	1,094
Common shareholders	114,449	104,419	62,878
	115,796	106,018	64,235

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

10 March 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2016
Almaty, Kazakhstan

The notes on pages 12 to 109 form an integral part of these consolidated financial statements.

JSC HALYK BANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 AND 2013
(Millions of Kazakhstani Tenge)

	Share capital				Treasury Shares						
	Common Shares	Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Common shares	Preferred shares	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property revaluation reserve*	Retained earnings*	Total equity
31 December 2014	83,571	46,891	13,233	1,439	(39,973)	(39,021)	(845)	(9,292)	17,341	401,877	475,221
Net income	-	-	-	-	-	-	-	-	-	120,312	120,312
Other comprehensive loss/(income)	-	-	-	-	-	-	5,540	(10,112)	46	10	(4,516)
Total comprehensive (loss)/income	-	-	-	-	-	-	5,540	(10,112)	46	120,322	115,796
Treasury shares purchased	-	-	-	(319)	(9)	(24,180)	-	-	-	-	(24,508)
Treasury shares sold	-	-	-	919	8	-	-	-	-	(708)	219
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(2,543)	(2,543)
Dividends – common shares	-	-	-	-	-	-	-	-	-	(34,257)	(34,257)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(971)	971	-
31 December 2015	83,571	46,891	13,233	2,039	(39,974)	(63,201)	4,695	(19,404)	16,416	485,662	529,928

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 and 2013
(Millions of Kazakhstani Tenge)

	Share capital			Share premium reserve	Treasury Shares		Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total Equity
	Common shares	Non-convertible preferred shares	Convertible preferred shares		Common shares	Preferred shares							
31 December 2013	83,571	46,891	13,233	1,415	(39,974)	(37,560)	602	1,790	13,808	307,470	391,246	933	392,179
Net income	-	-	-	-	-	-	-	-	-	114,377	114,377	-	114,377
Other comprehensive loss/(income)	-	-	-	-	-	-	(1,447)	(11,082)	4,170	-	(8,359)	-	(8,359)
Total comprehensive (loss)/income	-	-	-	-	-	-	(1,447)	(11,082)	4,170	114,377	106,018	-	106,018
Treasury shares purchased	-	-	-	(273)	(7)	(1,461)	-	-	-	-	(1,741)	-	(1,741)
Treasury shares sold	-	-	-	297	8	-	-	-	-	-	305	-	305
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(1,757)	(1,757)	-	(1,757)
Dividends – common shares	-	-	-	-	-	-	-	-	-	(18,547)	(18,547)	-	(18,547)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(530)	(530)
Decrease in non-controlling interest due to buy-back of JSC Accumulated Pension Fund of Halyk Bank of Kazakhstan shares	-	-	-	-	-	-	-	-	-	-	-	(403)	(403)
Loss from buy-back of JSC Accumulated Pension Fund of Halyk Bank of Kazakhstan shares	-	-	-	-	-	-	-	-	-	(303)	(303)	-	(303)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(637)	637	-	-	-
31 December 2014	83,571	46,891	13,233	1,439	(39,973)	(39,021)	(845)	(9,292)	17,341	401,877	475,221	-	475,221

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

(Millions of Kazakhstani Tenge)

	Share capital			Share premium reserve	Treasury shares		Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total Equity
	Common shares	Non-convertible preferred shares	Convertible preferred shares		Common shares	Preferred shares							
31 December 2012	83,571	46,891	13,233	1,496	(39,974)	(41,054)	1,122	8,926	14,754	249,033	337,998	1,641	339,639
Net income	-	-	-	-	-	-	-	-	-	72,137	72,137	272	72,409
Other comprehensive loss	-	-	-	-	-	-	(520)	(7,136)	(509)	-	(8,165)	(9)	(8,174)
Total comprehensive (loss)/income	-	-	-	-	-	-	(520)	(7,136)	(509)	72,137	63,972	263	64,235
Treasury shares purchased	-	-	-	(423)	(11)	-	-	-	-	-	(434)	-	(434)
Treasury shares sold	-	-	-	342	11	3,494	-	-	-	-	3,847	-	3,847
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(2,197)	(2,197)	-	(2,197)
Dividends – common shares	-	-	-	-	-	-	-	-	-	(12,215)	(12,215)		(12,215)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(971)	(971)
Difference on exit from subsidiary	-	-	-	-	-	-	-	-	-	275	275	-	275
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(437)	437	-	-	-
31 December 2013	83,571	46,891	13,233	1,415	(39,974)	(37,560)	602	1,790	13,808	307,470	391,246	933	392,179

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova	**Pavel A. Cheussov**
Chairperson of the Board	**Chief Accountant**
10 March 2016	10 March 2016
Almaty, Kazakhstan	Almaty, Kazakhstan

The notes on pages 12 to 111 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2015, 2014 and 2013
(Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2015	Restated Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:				
Interest received from financial assets at fair value through profit or loss		109	55	36
Interest received from cash equivalents and amounts due from credit institutions		5,972	5,426	3,686
Interest received on available-for-sale investment securities		23,378	18,862	16,320
Interest received on investments held to maturity		-	-	2,464
Interest received from loans to customers		199,298	179,127	140,159
Interest paid on amounts due to customers		(63,712)	(62,332)	(54,190)
Interest paid on amounts due to credit institutions		(5,081)	(2,284)	(865)
Interest paid on debt securities issued		(26,113)	(15,377)	(22,280)
Fee and commission received		53,280	59,822	52,331
Fee and commission paid		(10,837)	(8,559)	(7,139)
Insurance underwriting income received		21,636	16,369	32,500
Ceded reinsurance share paid		(2,439)	(2,996)	(15,066)
Receipts from financial derivatives		39,122	6,383	161
Other income received		8,595	3,385	8,550
Operating expenses paid		(62,789)	(65,766)	(49,004)
Insurance claims paid		(8,834)	(9,745)	(8,706)
Reimbursement of losses received from reinsurers		-	-	459
Cash flows from operating activities before changes in net operating assets		171,585	122,370	99,416
Changes in operating assets and liabilities:				
(Increase)/decrease in operating assets:				
Obligatory reserves		(20,164)	(3,949)	4,761
Financial assets at fair value through profit or loss		(7,589)	(16,866)	(96)
Amounts due from credit institutions		(7,481)	(344)	7,123
Precious metals		(483)	16,203	(17,488)
Loans to customers		(216,366)	7,273	(154,410)
Assets held for sale		(2,607)	(6,083)	4,522
Insurance assets		(245)	(4,909)	2,258
Other assets		7,401	(407)	(170)
Increase/(decrease) in operating liabilities:				
Amounts due to customers		287,505	(181,428)	54,108
Amounts due to credit institutions		50,928	(8,392)	91,584
Financial liabilities at fair value through profit or loss		10,923	3,060	(378)
Insurance liabilities		1,832	7,915	93
Other liabilities		4,307	2,903	(1,017)
Cash inflow/(outflow) from operating activities before income tax		279,546	(62,654)	90,306
Income tax paid		(25,222)	(22,586)	(20,016)
Net cash inflow/(outflow) from operating activities		254,324	(85,240)	70,290
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from purchase of subsidiary	6	901	66,450	-
Purchase and prepayments for property and equipment and intangible assets		(17,131)	(13,628)	(6,269)
Proceeds on sale of property and equipment		4,438	4,292	290
Proceeds on sale of available-for-sale investment securities		175,365	139,125	122,240
Purchase of available-for-sale investment securities		(76,157)	(153,026)	(125,356)
Proceeds from maturity of investments held to maturity		-	-	2,599
Proceeds from sale of investments held to maturity		-	-	10,541
Purchase of investments held to maturity		-	-	(1,609)
Net cash inflow/(outflow) from investing activities		87,416	43,213	2,436

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

	Notes	Year ended 31 December 2015	Restated Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds on sale of treasury shares		927	305	3,847
Purchase of treasury shares		(24,508)	(1,741)	(434)
Dividends paid – preferred shares		(2,543)	(1,757)	(2,197)
Dividends paid – common shares		(34,257)	(18,547)	(12,215)
Dividends paid – subsidiaries		-	(530)	(971)
Buy-back of JSC Accumulated Pension Fund of Halyk Bank shares		(708)	(706)	-
Proceeds on debt securities issued		115,852	89,602	-
Redemption and repayment of debt securities issued		(7,627)	(4,075)	(116,136)
Net cash inflow/(outflow) from financing activities		47,136	62,551	(128,106)
Effect of changes in foreign exchange rate on cash and cash equivalents		475,267	33,700	8,194
Net change in cash and cash equivalents		864,143	54,224	(47,186)
CASH AND CASH EQUIVALENTS, beginning of the year	7	540,537	486,313	533,499
CASH AND CASH EQUIVALENTS, end of the year	7	1,404,680	540,537	486,313

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

10 March 2016
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

10 March 2016
Almaty, Kazakhstan

The notes on pages 12 to 109 form an integral part of these consolidated financial statements.

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively, "the Group") provide retail and corporate banking services principally in Kazakhstan, Russia, Kyrgyzstan and Georgia, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under the license No. 10 for carrying out of banking and other operations and activities on the securities market, renewed by the National Bank of the Republic of Kazakhstan ("NBRK") on 6 August 2008. The Bank is a member of the obligatory deposit insurance system provided by JSC Kazakhstan Deposit Insurance Fund.

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations as well as rendering other banking services to its customers. In addition, the Bank acts as a non-exclusive agent of the Government of the Republic of Kazakhstan in channelling various budgetary payments and pensions through its nationwide branch network.

Trust activities

In the normal course of its business, the Group enters into agreements with customers to manage the customers' assets with limited decision making rights and in accordance with specific criteria established by the customers. The Group may only be liable for losses or actions aimed at appropriation of the customers' funds if such funds or securities are not returned to the customer. The maximum potential financial risk of the Group on any date is equal to the volume of the customers' funds, net of any unrealized income/loss on the customer's position. The balance of the customers' funds under the management of the Group, as at 31 December 2015 is KZT Nil (31 December 2014 – KZT Nil; 31 December 2013 – KZT 1,234 billion).

Legal proceedings

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

Operating environment

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

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

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

The Bank has a primary listing with Kazakhstan Stock Exchange ("KASE"). In addition, the Bank's Eurobonds issued are primarily listed on the Luxembourg and London Stock Exchanges. The Bank also allocated Global Depository Receipts ("GDRs") on the London Stock Exchange.

On 28 April 2014, the Bank repurchased 6,232,399 of its own preferred shares from Samruk-Kazyna at KZT 200.28 per share for KZT 1,248 million. As a result, the Group recorded KZT 42,515 million as a cost of acquired treasury (see Note 26). After the repurchase, Samruk-Kazyna continues owning 100 of the Bank's preferred shares.

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

(Millions of Kazakhstani Tenge)

As at 31 December 2015, 2014 and 2013, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

	31 December 2015					
	Total shares	**Stake in total shares in circulation**	**Common shares**	**Stake in common shares in circulation**	**Convertible and non-convertible preferred shares**	**Stake in convertible and non-convertible preferred shares in circulation**
JSC HG Almex	8,024,149,068	73.4%	8,003,381,500	73.4%	20,767,568	99.8%
JSC Single Accumulated Pension Fund*	716,281,746	6.6%	716,281,746	6.5%	-	-
GDR	1,840,058,240	16.8%	1,840,058,240	16.9%	-	-
Other	349,774,984	3.2%	349,729,065	3.2%	45,919	0.2%
Total shares in circulation (on consolidated basis)	**10,930,264,038**	**100%**	**10,909,450,551**	**100%**	**20,813,487**	**100%**

	31 December 2014					
	Total shares	**Stake in total shares in circulation**	**Common shares**	**Stake in common shares in circulation**	**Convertible and non-convertible preferred shares**	**Stake in convertible and non-convertible preferred shares in circulation**
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.4%	20,767,568	11.0%
JSC Single Accumulated Pension Fund*	869,738,261	7.8%	710,233,299	6.5%	159,504,962	84.3%
GDR	1,848,929,480	16.7%	1,848,929,480	16.9%	-	0.0%
Other	356,244,249	3.2%	347,354,434	3.2%	8,889,815	4.7%
Total shares in circulation (on consolidated basis)	**11,099,061,058**	**100%**	**10,909,898,713**	**100%**	**189,162,345**	**100%**

(Millions of Kazakhstani Tenge)

	31 December 2013					
	Total shares	**Stake in total shares in circulation**	**Common shares**	**Stake in common shares in circulation**	**Convertible and non-convertible preferred shares**	**Stake in convertible and non-convertible preferred shares in circulation**
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.4%	20,767,568	10.6%
JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan **	758,082,743	6.8%	661,367,710	6.1%	96,715,033	49.5%
GDR	2,093,909,040	18.9%	2,093,909,040	19.2%	-	-
Other	228,090,752	2.0%	150,042,269	1.3%	78,048,483	39.9%
Total shares in circulation (on consolidated basis)	**11,104,231,603**	**100%**	**10,908,700,519**	**100%**	**195,531,084**	**100%**

* The transfer of all pension assets under management of the private accumulative pension funds to the JSC Single Accumulated Pension Fund (hereinafter – SAPF) was conducted in accordance with the schedule and order approved by the Decree of the Chairman of the National Bank of the Republic of Kazakhstan No. 356 dated 24 September 2013. As a result, as at 31 December 2015 and 2014 SAPF held 6.6% and 7.8%, respectively, of the Bank's shares outstanding on behalf of its clients.

** Common and preferred shares owned by JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan are not eliminated as those shares were purchased on clients' funds and are owned by the clients.

As at 31 December 2015, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices sand 377 cash settlement units (31 December 2014 – 22, 122, 393, respectively, 31 December 2013 – 22, 122, 400, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 109 V Abai Avenue, Almaty, 050008, Republic of Kazakhstan.

As at 31 December 2015, the number of the Group's full-time equivalent employees was 11,827 (31 December 2014 – 11,477, 31 December 2013 - 11,198).

The consolidated financial statements of the Group for the years ended 31 December 2015, 2014, and 2013 were authorised for issue by the Management Board on 10 March 2016.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

These consolidated financial statements are presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

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

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(Millions of Kazakhstani Tenge)

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the date of consolidated statement of financial position (current) and more than 12 months after the date of consolidated statement of financial position (non-current) is presented in Note 35.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary of the economic environment in which the entity operates ("the functional currency"). The functional currency of the Bank is KZT. The presentation currency of the consolidated financial statements is KZT.

Consolidated subsidiaries

These consolidated financial statements include the following subsidiaries:

Subsidiaries	Holding, %			Country	Industry
	31 December 2015	31 December 2014	31 December 2013		
Halyk-Leasing JSC	100	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.*	N/A	N/A	100	Netherlands	Issue and placement of Eurobonds, attracting of syndicated loans
OJSC Halyk Bank Kyrgyzstan	100	100	100	Kyrgyzstan	Banking
Halyk Finance JSC	100	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	100	Kazakhstan	Life insurance
Kazakhinstrakh JSC	100	100	100	Kazakhstan	Insurance
JSC APF of Halyk Bank of Kazakhstan ("APF")**	N/A	100	96	Kazakhstan	Pension assets accumulation and management
OJSC NBK-Bank	100	100	100	Russia	Banking
JSC Halyk Bank Georgia	100	100	100	Georgia	Banking
LLC Halyk Project	100	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Altyn Bank (SB of JSC Halyk Bank) (JSC "Altyn Bank")***	100	100	N/A	Kazakhstan	Banking

* On 30 September 2014 the Board of Directors of the Bank made a decision on voluntary liquidation of HSBK (Europe) B.V. in Netherlands, the subsidiary of the Bank. On 23 December 2014, HSBK (Europe) B.V. was removed from the register of the Chamber of Commerce of Netherlands.

** During the third quarter 2014 APF performed the buy-back of its shares. Holding percentage of the Bank in APF changed accordingly in 2014. In 2015, APF was liquidated in accordance with the Decision of Board of Directors #353 dated 20 November 2015.

*** On 28 November 2014 the Integrated Securities Registrar registered the purchase and sale transaction of ordinary shares of Subsidiary Bank JSC "HSBC Bank Kazakhstan" (hereinafter – "Subsidiary bank") between the Bank and HSBC Bank Plc. As a result, the Bank acquired 100% of the outstanding 70,500 common shares of Subsidiary Bank. State registration was made on 27 November 2014 as JSC Altyn Bank.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

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

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

Non-controlling interest

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

Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amounts by which the non-controlling interests are adjusted is recognised directly in equity.

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

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

Goodwill

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within three months. For purposes of determining cash flows, the obligatory reserve required by the National Banks of Kazakhstan, Kyrgyzstan, Georgia and Central Bank of Russian Federation is not included as a cash and cash equivalent due to restrictions on its availability.

Obligatory reserves

Obligatory reserves represent funds in correspondent accounts with the National Banks of Kazakhstan, Kyrgyzstan, Georgia and Central Bank of Russian Federation and cash which are not available to finance the Group’s day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Precious metals

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

Amounts due from credit institutions

In the normal course of business, the Group maintains current accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Group accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

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

Financial assets

Financial assets in the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are classified as either financial assets at fair value through profit or loss, loans and receivables, investments held to maturity or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets depending on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities are classified as at fair value through profit or loss where the financial asset or financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset or financial liability other than a financial asset or financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in "Net gain from financial assets and liabilities at fair value through profit or loss". Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Loans and receivables are included within loans to customers, amounts due from credit institutions and other assets in the consolidated statement of financial position.

Collateral

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

Investments held to maturity

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

Available-for-sale investment securities

Available-for-sale investment securities are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables or investments held to maturity, or are not held for trading and are not designated at fair value through profit or loss on initial recognition. Available-for-sale investment securities are initially recorded at fair value. After initial recognition available-for sale investment securities are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. However, interest calculated using the effective interest method and foreign exchange movements for debt securities are recognized in the consolidated income statement. Dividends declared are included in "Other income" in the consolidated income statement.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date.

Reclassification of financial assets

Non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) may be classified out of the fair value through profit or loss category in the following circumstances:

- Financial assets that would have met the definition of loans and receivables at initial recognition (if the financial asset had not been required to be classified as held for trading) may be reclassified out of the fair value through profit or loss category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity; and
- Financial assets (except financial assets that would have met the definition of loans and receivables at initial recognition) may be reclassified out of the fair value through profit or loss category and into another category in rare circumstances.

When the financial asset is reclassified as described in the above circumstances, the financial asset is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in the income statement is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Effective from 1 July 2009, the Group was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the "Held for trading" category and into the "Available-for-sale", "Loans and receivables", or "Held to maturity" categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the "Available-for-sale" category and into the "Loans and receivables" category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. Reclassification is at the election of management, and is determined on an instrument by instrument basis.

Repurchase and reverse repurchase agreements and securities lending

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

Repos are treated as secured financing transactions. Securities sold under repos are retained in the consolidated statement of financial position and, in case the transferee has the right, by contract or custom, to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers.

Securities purchased under reverse repos are recorded as amounts due from credit institutions, loans to customers or cash and cash equivalents as appropriate. The difference between the sale and repurchase prices is treated as interest and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within "Net gain from financial assets and liabilities at fair value through profit and loss" in the consolidated income statement. The obligation to return securities borrowed is recorded at fair value as a trading liability.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Kazakhstan and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability. Income and expense is not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Derivative financial instruments

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

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in the consolidated income statement. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative. Over–the–counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. Additionally, derivative instruments expose the Group to counterparty non-performance risk. Certain instruments also pose liquidity risk due to absence of net-settlement provisions between counterparties.

Forwards

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements The Group has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating interest rate in return for paying or receiving, respectively, a fixed interest rate. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. The Group's currency swaps are mostly gross-settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market, credit, and liquidity risks (see also Note 35).

Amounts due to customers and credit institutions

Amounts due to customers and credit institutions are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method. 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 recognized in the consolidated income statement.

Debt securities issued

Debt securities issued represent bonds issued by the Group, which are accounted for according to the same principles used for amounts due to customers and credit institutions. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Allowances for impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the impairment loss is recognized in the consolidated income statement.

The factors the Group evaluates in determining the presence of objective evidence of an occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The allowances are based on the Group's own loss experience and management's judgment as to the level of losses that will probably be recognized from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets are written off against the allowance for impairment losses where such items are determined to be uncollectible, including through repossession of collateral. The Group requires collateral to support credit-related financial instruments when deemed necessary. Collateral held may include deposits held in the banks, government securities and other assets. When the borrowers do not repay as scheduled, the Group can take possession of the collateral pledged. Financial assets are written off after management has exercised all possibilities available to collect amounts due to the Group, and after the Group has sold all available collateral. The decision to write off bad debt against the allowance for impairment losses for all major, preferential, unsecured and insider assets are confirmed with a procedural document from judicial or notary bodies. This document certifies that at the time of the decision to write off the bad debt, the amount could not be repaid (or partially repaid) with the debtor's funds. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the consolidated income statement.

Loans and receivables are assessed individually for impairment, except for insignificant loans and receivables that have been assessed collectively. Loans and receivables that have been assessed individually and found not to be impaired and all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether impairment should be recognized due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, loan utilisation, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and receivables is disclosed in more detail in Notes 12, 23 and 35.

Available-for-sale investment securities

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. If an available-for-sale investment security is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is transferred from equity to the consolidated income statement. In respect to AFS equity securities, impairment losses previously recognized in the consolidated income statement are not reversed through the consolidated income statement. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and are accumulated under the heading of investment revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. Renegotiated term is evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

Write off of loans and advances

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

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

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

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

Taxation

The current income tax expense is calculated in accordance with the regulations of Kazakhstan and other countries where the Group operates.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Kazakhstan and other countries where the Group operates also have various operating taxes that are assessed on the Group's activities. These taxes are recorded as taxes other than income tax.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment except for the buildings and constructions which are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and constructions	20-100
Vehicles	5-7
Computers and banking equipment	5-10
Other	7-10

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses.

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

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

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

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Intangible assets

Intangible assets acquired separately.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not subject to amortization.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation is recognised on a straight-line basis over their estimated useful lives.

	Years
Customer deposit intangibles	5
Software	10
Licensing agreements for the right to use the software	10
Other	10

Assets held for sale

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

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

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

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

Commercial property

In certain circumstances, the Group may foreclose commercial properties as part of the settlement of loan agreements with customers. The Group intends to sell these properties in the normal course of business and therefore these are initially measured at fair value including transaction costs and subsequently measured at the lower of cost or net realizable value. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the commercial property is expected to be realized for. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Recorded amounts as at the consolidated statement of financial position date represent the Group's best estimate of the expenditure required to settle the liability. The expense relating to any provision is presented in the consolidated income statement net of any recoveries.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the state pension system of Kazakhstan and other countries where the Group operates, which requires current withholdings by the employer calculated as a percentage from current gross salary payments; such expense is charged in the period the related salaries are earned and included in operating expenses in the consolidated income statement. The Group contributes social tax to the budget of Kazakhstan and other countries where the Group operates for its employees. In addition, the Group has no post-retirement benefits.

Equity

The Group classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group after the deduction of liabilities. The components of a compound financial instrument issued by the Group are classified and accounted for separately as financial assets, financial liabilities or equity as appropriate.

Share capital

External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Prior to 13 May 2003, any excess of the fair value of consideration received over the nominal value of shares issued was recognized as share premium reserve. Effective 13 May 2003, upon change in law concerning "Joint Stock Companies", the nominal amount concept was restricted to placement of shares only between the founders of an entity. For all other investors, share capital is recorded at placement value being the consideration received by an entity for its shares.

Treasury shares

When the Group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the Group are cancelled. Repurchased shares are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

Dividends

Dividends are recognized as a liability and deducted from equity on the date they are declared. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- Available-for-sale reserve which comprises changes in fair value of available-for-sale investment securities;
- Foreign currency translation reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations;
- Property revaluation reserve which comprises revaluation reserve of land and building.

Contingencies

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

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

Trust activities

Assets accepted and liabilities incurred under the trust activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Recognition of interest income and expense

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

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

Loan origination fees for loans issued to customers are (together with related direct costs) recognized as an adjustment to the effective yield of the loans. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry.

Fees, commissions, including pension asset management fees, and other income and expense items are generally recorded on an accrual basis when the service has been provided.

Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Custody services that are continuously provided over an extended period of time are recorded over the period the service is provided.

Foreign currency translation

The consolidated financial statements are presented in KZT, which is the functional currency of the Bank and each of its subsidiaries, except for foreign subsidiaries. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency rate of exchange as quoted by KASE as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions into functional currency are recognized in the consolidated income statement as net gain or loss on foreign exchange operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the exchange rates as at the consolidated statement of financial position date, and their income statements are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated income statement.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net gain on foreign exchange operations. The market exchange rate at 31 December 2015 – KZT 340.01 to USD 1 (at 31 December 2014 – KZT 182.35; at 31 December 2013 – KZT 153.61).

Insurance

Insurance contracts are those contracts which transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Group utilizes accounting policies determined by NBRK for insurance companies of Kazakhstan.

The Group offers various insurance products in property and casualty, liability, personal, and life insurance.

Underwriting income

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve.

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

Losses and loss adjustments are charged to income statement as incurred through the reassessment of the reserve for claims and loss adjustment expenses, and included within insurance claims incurred in the consolidated income statement.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is written and deemed enforceable.

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

Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses is included in the consolidated statement of financial position and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

The incurred but not reported reserve (“IBNR”) for motor, hull and liability insurance is actuarially determined and is based upon statistical claim data for the period typical for loss development of the classes and sub-classes of business and the Group’s previous experience.

Due to the lack of historical company specific data and comparable industry data for other lines of business, the reserve for IBNR claims is determined by applying current government guidance as provided by NBRK. Under this guidance, the IBNR reserve is calculated in the amount of 5% of insurance premium written during the last twelve months preceding the settlement date in this class of insurance.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated income statement in the period in which they are determined.

Reinsurance

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

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from re-insurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Payables to reinsurers for ceded premium are recorded gross when due unless a right of offset exists against commission receivable from the reinsurer and are included in the consolidated statement of financial position within insurance assets.

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

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

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Financial guarantee contracts issued and letters of credit

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

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

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

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

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

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

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

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

New and revised IFRSs in issue but not yet effective.

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

- IFRS 9 Financial Instruments[2];
- IFRS 14 Regulatory Deferral Accounts[1];
- IFRS 15 Revenue from Contracts with Customers[2];
- IFRS 16 Leases[3];
- Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations[1];
- Amendments to IAS 1 – Disclosure initiative project[1];
- Amendments to IAS 27 - Equity Method in Separate Financial Statements[1];
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1];
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception[1]
- Annual Improvements to IFRSs 2012-2014 Cycle[1];

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9 Financial Instruments.

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

The key requirements of IFRS 9 are:

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

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

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

IFRS 15 Revenue from Contracts with Customers.

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

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

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

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

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

IFRS 16 Leases

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

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

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

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

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

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

There are a number of other standards, which have been issued or amended that are expected to be effective in future periods. However, the Group does not anticipate that the application of them will have a material impact on the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment of loans and receivables

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

The Group uses management's judgement to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables.

Historical loss experience is adjusted, on the basis of observable data, to reflect current conditions not affecting the period of historical experience.

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

The carrying amount of the allowance for impairment losses of loans to customers as at 31 December 2015 is KZT 305,114 million (31 December 2014: KZT 286,018 million; 31 December 2013: KZT 323,311 million).

Valuation of financial instruments

As described in Note 38, the Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 38 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Property and equipment carried at revalued amounts

Buildings and construction are measured at revalued amounts. The latest appraisal was in November 2014. Details of the valuation techniques used are set out in Note 15.

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar periods preceding the year of review.

As at 31 December 2015, Management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group’s reported net income.

Claims liability and reserves arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of incurred but not reported reserves (“IBNR”) claims at the reporting date. For certain lines of business, IBNR claims form the majority of the statement of financial position claims provision. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull, property, accident and liability insurance, the Group actuarially determines the liability using past claim settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance as provided by NBRK, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money.

The gross reserves for claims and the related receivables for reinsurance recoveries are based on information available to management and the ultimate amounts may vary as a result of subsequent information and events and may result in adjustments to the amounts recovered. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may differ from costs previously estimated. Any adjustments to the amount of reserves will be reflected in the consolidated financial statements in the period in which the necessary adjustments become known and estimable.

Goodwill

Goodwill is the excess cost of an acquisition over the fair value of its net assets. The determination of fair value of assets and liabilities of businesses acquired requires the exercise of management's judgement; for example those financial assets and liabilities for which there are no quoted prices, and those non-financial assets where valuations reflect estimates of market conditions. Difference in fair values would result in changes to the goodwill arising and to the post-acquisition performance of the acquisition. Goodwill is not amortized but is tested annually or more frequently for impairment if events or changes in circumstances indicated that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash-generating unit or group of cash generating units with its recoverable amount. The recoverable amount is the higher of the unit's fair value and its value in use. Value in use is the present value of expected future cash flows from the cash-generating unit or group of cash-generating units. Fair value is the amount obtainable for the sale of the cash-generating unit in an arm's length transaction between knowledgeable and willing parties.

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

(Millions of Kazakhstani Tenge)

5. RESTATEMENT OF PRIOR PERIOD

The Group incorrectly presented cash flows arising from acquisition of control over JSC "Altyn Bank" in its consolidated statement of cash flows for the year ended 31 December 2014: equipment, intangibles and customer deposit intangible acquired in total amount of KZT 2,813 million were presented as cash outflow within investing activities, while other assets and liabilities acquired in amount KZT 69,263 million were presented within cash flows from operating activities. The effect of the acquisition of the subsidiary should be presented within cash flows from investing activities in the amount of the consideration paid in cash less cash and cash equivalents acquired (Note 6). As a result, these consolidated financial statements have been restated as follows.

	As previously reported	As restated	Difference
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from financial derivatives	-	6,383	(6,383)
Financial assets at fair value through profit or loss	(12,966)	(16,866)	3,900
Loans to customers	(50,608)	7,273	(57,881)
Assets held for sale	(6,121)	(6,083)	(38)
Other assets	(5,578)	(407)	(5,171)
Amounts due to customers	(51,950)	(181,428)	129,478
Amounts due to credit institutions	(4,600)	(8,392)	3,792
Other liabilities	4,469	2,903	1,566
Net change in cash flows from operating activities			69,263
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from purchase of subsidiary	-	66,450	(66,450)
Purchase and prepayments for property and equipment and intangible assets	(16,441)	(13,628)	(2,813)
Net change in cash flows from investing activities			(69,263)

6. ACQUISITION

In 2014, the Group acquired the following subsidiary:

	Principal activity	Acquisition date	Proportion of shares acquired (%)	Consideration transferred
JSC Altyn Bank	Banking	28 November 2014	100%	31,869

JSC Altyn Bank is consolidated from 28 November 2014 on which date the control was transferred to the Group. The assets and liabilities of JSC Altyn Bank were recognised at fair value. The income statement of JSC Altyn Bank up to acquisition date was not recognised.

(Millions of Kazakhstani Tenge)

Assets acquired and liabilities recognized at the date of acquisition:

	28 November 2014
	Fair value
Assets	
Cash and cash equivalents	98,319
Trading securities	2,483
Loans to customers	59,793
Other accounts receivables	934
Equipment and intangibles	587
Non-current assets held for sale	38
	162,154
Liabilities	
Amounts due to credit institutions	(3,792)
Amounts due to customers	(129,478)
Other accounts payables	(1,566)
	(134,836)
Net assets	27,318

Goodwill arising on acquisition of JSC "Altyn Bank":

	28 November 2014
	Fair value
Considerations transferred	31,869
Less: Fair value of identifiable net assets acquired	(27,318)
Less: Customer deposit intangible (hereinafter – "CDI") (Note 16)	(2,226)
Plus: Deferred tax on CDI	445
Less: Account receivable from HSBC Bank Plc.	(901)
Goodwill	1,869

(Millions of Kazakhstani Tenge)

Goodwill arising upon businesses acquisitions is as follows:

	Carrying amount
31 December 2012 and 2013	3,085
Additions	1,869
31 December 2014 and 2015	4,954
Including:	
JSC Kazakhinstrakh	3,055
JSC Altyn Bank	1,869
OJSC Halyk Bank Kyrgyzstan	30
	4,954

Net cash inflow on acquisition of the subsidiary

	2014
Consideration paid in cash	(31,869)
Plus: cash and cash equivalents acquired	98,319
	66,450

Impact of acquisition on the results of the Group

Upon acquisition of Subsidiary Bank JSC "HSBC Bank Kazakhstan" the Bank developed the price allocation model, based on which it determined the pro-forma net income. Had this acquisition been effected on 1 January 2014, net income of the Group for the year ended 31 December 2014 would have been KZT 115,909 million. The Group management consider these pro-forma numbers to represent an approximate performance measure of the combined group on an annualized basis and to provide a reference point for comparison in future periods.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2015	31 December 2014	31 December 2013
Cash on hand	118,891	130,413	80,752
Recorded as loans and receivables in accordance with IAS 39:			
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	116,478	90,574	91,265
Short-term deposits with OECD based banks	125,808	14,595	135,253
Correspondent accounts with NBRK	1,019,059	260,070	83,769
Short-term deposits with NBRK	310	-	-
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	11,518	3,803	32,326
Correspondent accounts with non-OECD based banks	12,206	8,553	2,159
Short-term deposits with non-OECD based banks	410	1,529	1,643
Overnight deposits with OECD based banks	-	31,000	59,122
Overnight deposits with non-OECD based banks	-	-	24
	1,404,680	540,537	486,313

(Millions of Kazakhstani Tenge)

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are as follows:

	31 December 2015		31 December 2014		31 December 2013	
	KZT	Foreign currencies	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.3%-0.9%	-	0.3%	6.9%	0.1%- 0.2%
Short-term deposits with NBRK	-	4.0%	-	-	-	-
Short-term deposits with Kazakhstan banks	10%-150%	0.3%-2.5%	30%	-	2.0%- 6.0%	-
Short-term deposits with non-OECD based bank	-	3.0%	-	2.0%- 3.3%	-	1.0% - 4.5%
Overnight deposits with OECD based banks	-	-	-	0.08%	-	0.02% - 0.1%
Overnight deposits with non-OECD based banks	-	-	-	-	-	2.3%

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements as at 31 December 2015, 2014 and 2013, are as follows:

	31 December 2015		31 December 2014		31 December 2013	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	8,320	10,012	3,803	4,103	32,279	48,936
Equity securities of Kazakhstan banks	-	-	-	-	47	47
	8,320	10,012	3,803	4,103	32,326	48,983

As at 31 December 2015, 2014 and 2013, maturities of loans under reverse repurchase agreements are less than one month.

8. OBLIGATORY RESERVES

Obligatory reserves comprise:

	31 December 2015	31 December 2014	31 December 2013
Recorded as loans and receivables in accordance with IAS 39:			
Cash and due from banks allocated to obligatory reserves	68,389	48,225	44,276
	68,389	48,225	44,276

(Millions of Kazakhstani Tenge)

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of Kazakhstan, Kyrgyzstan, Georgia and Central Bank of Russian Federation and are used for calculation of the minimum reserve requirement. As at 31 December 2015, obligatory reserves of JSC Altyn Bank, OJSC Halyk Bank Kyrgyzstan, OJSC NBK Bank and JSC Halyk Bank Georgia comprised KZT 9,340 million (31 December 2014 – KZT 4,464 million, 31 December 2013 – KZT 583 million).

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

Financial assets at fair value through profit or loss comprise:

	31 December 2015	31 December 2014	31 December 2013
Financial assets held for trading:			
Derivative financial instruments	175,313	12,094	391
Corporate bonds	909	751	402
Bonds of Kazakhstan banks	293	164	119
Bonds of JSC Development Bank of Kazakhstan	199	152	139
Bonds of foreign organizations	124	174	184
Equity securities of Kazakhstan corporations	106	261	20
Equity securities of foreign organizations	78	56	18
Equity securities of Kazakhstan banks	48	49	61
Treasury bills of the Ministry of Finance of Kazakhstan	-	2,026	-
	177,070	15,727	1,334

Financial liabilities at fair value through profit or loss comprise:

	31 December 2015	31 December 2014	31 December 2013
Financial liabilities held for trading:			
Derivative financial instruments	5,593	3,131	69

Interest rates on financial assets at fair value through profit or loss are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective financial assets:

	31 December 2015	31 December 2014	31 December 2013
Corporate bonds	6.6%	6.3%	5.3%
Bonds of Kazakhstan banks	10.5%	11.4%	12.3%
Bonds of JSC Development Bank of Kazakhstan	5.3%	5.2%	5.3%
Bonds of foreign organizations	6.3%	6.3%	10.0%
Treasury bills of the Ministry of Finance of Kazakhstan	-	4.4%	-

(Millions of Kazakhstani Tenge)

Derivative financial instruments comprise:

	31 December 2015			31 December 2014			31 December 2013		
	Notional	Fair value		Notional	Fair value		Notional	Fair value	
	amount	Asset	Liability	amount	Asset	Liability	amount	Asset	Liability
Foreign currency contracts									
Swaps	454,075	175,308	1,043	305,163	9,380	2,232	53,401	122	69
Spots and options	28,627	5	265	-	-	-	3,961	251	-
Forwards	14,546	-	4,285	63,716	2,714	899	15,116	18	-
		175,313	5,593		12,094	3,131		391	69

As at 31 December 2015, 2014 and 2013, the Group used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on observable market data.

During 2015 and 2014, in order to increase tenge liquidity the Group concluded swaps and non-deliverable forwards with the NBRK.

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	31 December 2015	31 December 2014	31 December 2013
Recorded as loans and receivables in accordance with IAS 39:			
Term deposits	25,584	10,058	8,593
Loans to credit institutions	14,307	14,303	14,322
Deposit pledged as collateral for derivative financial instruments	5,109	2,734	2,898
	45,000	27,095	25,813
Less - Allowance for loan impairment (Note 23)	(7)	-	(5)
	44,993	27,095	25,808

Interest rates and maturities of amounts due from credit institutions are as follows:

	31 December 2015		31 December 2014		31 December 2013	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Term deposits	1.0%-27.0%	2016-2017	1.0%-9.0%	2015-2017	0.5%-9.0%	2014-2015
Loans to credit institutions	8.2%	2017	8.2%	2017	8.2%-17.0%	2015-2020
Deposit pledged as collateral for derivative financial instruments	0.2%-1.8%	2016	0.2%-1.8%	2015	0.2%-1.8%	2014

(Millions of Kazakhstani Tenge)

11. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	31 December 2015	31 December 2014	31 December 2013
Treasury bills of the Ministry of Finance of Kazakhstan	165,040	149,640	98,932
Corporate bonds	141,428	120,780	91,971
Bonds of JSC Development Bank of Kazakhstan	35,976	18,209	19,363
Bonds of Kazakhstan banks	17,606	12,422	13,958
Bonds of foreign organizations	9,336	48,968	72,795
Equity securities of Kazakhstan corporations	3,024	5,000	3,075
Treasury bills of Georgia	2,755	1,562	562
Equity securities of foreign corporations	2,140	1,713	1,683
Treasury bills of the Russian Federation	653	6,618	28,909
Notes of National Bank of Kyrgyz Republic	354	-	-
Treasury bills of the Kyrgyz Republic	208	-	340
Treasury bills of Republic of Poland	-	17,536	14,767
Local municipal bonds	-	3,913	4,019
Equity securities of Kazakhstan banks	-	62	156
Mutual investment funds shares	-	-	22
	378,520	386,423	350,552

As at 31 December 2015, 2014 and 2013, available-for-sale investment securities included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 51,763 million, KZT 12,575 million and KZT 73,110 million, respectively, pledged under repurchase agreements with the other banks (see Note 21). All repurchase agreements as at 31 December 2015, 2014 and 2013 mature before 5 January 2016, 5 January 2015, and 8 January 2014, respectively.

Interest rates and maturities of available-for-sale investment securities are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2015		31 December 2014		31 December 2013	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	5.6%	2016-2045	5.5%	2015-2031	4.9%	2014-2027
Corporate bonds	6.9%	2016-2029	7.0%	2015-2023	7.0%	2014-2021
Bonds of JSC Development Bank of Kazakhstan	4.5%	2022-2026	4.7%	2022-2026	4.9%	2015-2026
Bonds of Kazakhstan banks	12.1%	2016-2049	10.5%	2015-2023	9.3%	2014-2030
Bonds of foreign organizations	5.0%	2016-2022	4.0%	2015-2022	3.9%	2014-2021
Treasury bills of Georgia	10.1%	2016-2024	11.9%	2016-2024	12.8%	2016-2017
Treasury bills of the Russian Federation	9.8%	2021	2.7%	2018-2021	2.7%	2015-2018
Notes of National Bank of Kyrgyz Republic	10.5%	2016	-	-	-	-
Treasury bills of the Kyrgyz Republic	12.4%	2016	-	-	8.9%	2014
Treasury bills of Republic of Poland	-	-	2.2%	2019	2.2%	2019
Local municipal bonds	-	-	4.9%	2015	4.9%	2015

(Millions of Kazakhstani Tenge)

12. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2015	31 December 2014	31 December 2013
Recorded as loans and receivables in accordance with IAS 39:			
Originated loans to customers	2,477,685	1,931,218	1,803,471
Overdrafts	3,498	2,813	2,085
	2,481,183	1,934,031	1,805,556
Less – Allowance for loan impairment losses (Note 23)	(305,114)	(286,018)	(323,311)
Loans to customers	2,176,069	1,648,013	1,482,245

Average interest rate on loans to customers is calculated as interest income from loans to customers divided by monthly average balances of loans to customers. For the year ended 31 December 2015 average interest rate on loans was 12.5% (31 December 2014 – 12.1%, 31 December 2013 – 11.7%).

As at 31 December 2015, the Group's loan concentration to the ten largest borrowers was KZT 524,728 million which comprised 21% of the Group's total gross loan portfolio (31 December 2014 – KZT 356,266 million, 18%; 31 December 2013 – KZT 367,782 million, 20%) and 99% of the Group's total equity (31 December 2014 – 75%, 31 December 2013 – 94%).

As at 31 December 2015, an allowance for impairment of KZT 60,784 million was made against those loans (31 December 2014 – KZT 58,214 million, 31 December 2013 – KZT 51,189 million).

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2015	31 December 2014	31 December 2013
Loans collateralized by pledge of real estate or rights thereon	940,171	738,450	707,582
Loans collateralized by guarantees	511,561	414,847	378,311
Consumer loans issued within the framework of payroll projects	373,211	330,158	273,248
Loans collateralized by cash	192,185	162,195	123,875
Loans collateralized by pledge of corporate shares	144,541	115,320	117,658
Loans collateralized by pledge of vehicles	70,227	28,958	24,747
Loans collateralized by mixed types of collateral	48,490	12,279	61,113
Loans collateralized by pledge of inventories	48,313	51,501	31,046
Loans collateralized by pledge of equipment	10,865	9,834	15,984
Loans collateralized by pledge of agricultural products	5,742	1,502	26,458
Unsecured loans	135,877	68,987	45,534
	2,481,183	1,934,031	1,805,556
Less - Allowance for loan impairment losses (Note 23)	(305,114)	(286,018)	(323,311)
Loans to customers	2,176,069	1,648,013	1,482,245

(Millions of Kazakhstani Tenge)

Loans are granted to the following sectors:

	31 December 2015	%	31 December 2014	%	31 December 2013	%
Retail loans:						
- consumer loans	407,905	16%	352,028	18%	291,471	16%
- mortgage loans	197,165	8%	138,615	7%	107,062	6%
	605,070		490,643		398,533	
Wholesale trade	442,797	18%	386,201	20%	341,489	19%
Services	394,027	16%	229,741	12%	233,492	13%
Construction	168,393	7%	159,975	8%	163,615	9%
Real estate	157,413	6%	130,622	7%	137,200	8%
Retail trade	150,353	6%	112,497	7%	117,816	7%
Agriculture	118,948	5%	103,836	6%	84,934	5%
Communication	60,483	2%	27,959	1%	339	0%
Transportation	59,415	2%	66,045	4%	40,145	2%
Mining	54,936	2%	39,782	2%	38,050	2%
Financial services	39,394	2%	37,960	2%	94,702	5%
Oil and gas	36,777	2%	9,059	0%	6,005	0%
Hotel industry	32,581	1%	29,969	2%	31,549	2%
Food industry	31,897	1%	28,327	1%	33,929	2%
Energy	28,628	1%	9,264	0%	3,403	0%
Metallurgy	25,610	1%	22,026	1%	39,276	2%
Machinery	15,499	1%	5,250	0%	7,878	0%
Chemical industry	14,678	1%	8,793	0%	10,604	1%
Light industry	7,004	0%	4,171	0%	4,503	0%
Other	37,280	2%	31,911	2%	18,094	1%
	2,481,183	100%	1,934,031	100%	1,805,556	100%

As at 31 December 2015, accrued interest on loans comprised KZT 138,495 million (31 December 2014 – KZT 103,757 million, 31 December 2013 – KZT 114,178 million).

During the years ended 31 December 2015, 2014 and 2013 the Group received financial and non-financial assets by taking possession of collateral it held as security. As at 31 December 2015, 2014 and 2013 such assets of KZT 7,401 million, KZT 8,029 million, and KZT 2,728 million, respectively, are included in assets held for sale.

As at 31 December 2015, 2014 and 2013, loans to customers included loans of KZT 188,582 million, KZT 150,382 million and KZT 145,102 million, respectively, which terms were renegotiated. Otherwise these loans would be past due or impaired.

13. INVESTMENT PROPERTY

	2015	2014	2013
As at 1 January	5,684	906	-
Additions	18,861	1,912	437
Disposals	(2)	-	(17)
Transferred from property and equipment	58	2,129	-
Transferred from non-current assets held for sale	-	235	486
Capitalized expenses	-	141	-
Gain on revaluation of investment property	57	361	-
As at 31 December	24,658	5,684	906

During the years ended 31 December 2015 and 2014, the Group foreclosed collateral it held as a security for loans to customers. As a result the Group received investment in the amount of KZT 18,861 million and KZT 1,912 million, respectively.

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

Included into other income is investment property rental income for the years ended 31 December 2015, 2014 and 2013 of KZT 1,120 million, KZT 175 million and KZT 14 million, respectively.

Operating expenses arising from the investment property that generated rental income during the years ended 31 December 2015, 2014 and 2013 were KZT 497 million, KZT 64 and KZT 5 million, respectively.

Investment property owned by the Group was revalued by independent appraisers as at 31 December 2015 and 2014. The fair value of the investment property was estimated based on income approach and comparative approach. When estimating the fair value of the properties, their current use is considered the best use and the most effective. There has been no change to the valuation technique during the year. This revaluation resulted in recognition of revaluation gain in the consolidated statements of profit or loss for the year ended 31 December 2015 and 2014 of KZT 57 million and KZT 361 million, respectively.

As at 31 December 2015, 2014 and 2013, the fair value measurements of the Group's investment property are categorized into Level 3 in amount of KZT 24,658 million, KZT 5,684 million and KZT 906 million, respectively (description of measurement hierarchy is disclosed in Note 38).

14. COMMERCIAL PROPERTY

During the year ended 31 December 2015, the Group took a possession of collateral it held as a security for the loan and received land and construction in progress for KZT 1,241 million and KZT 6,245 million, respectively. The Group continued the construction and, in 2015, it recognised capitalised expenses of KZT 2,146 million. As of 31 December 2015, carrying amount of construction in progress was KZT 9,632 million. Completion of construction is expected in 4th quarter of 2016. The commercial property consists of residential complex including 62,708 square meter living space and 20,659 square meter commercial space.

(Millions of Kazakhstani Tenge)

15. PROPERTY AND EQUIPMENT

The movements in property and equipment are as follows:

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Total
Revalued/initial cost:						
31 December 2014	54,374	2,557	22,648	12,596	13,990	106,165
Additions	240	267	2,583	3,471	2,425	8,986
Disposals	(1,710)	(285)	(3,027)	(142)	(1,307)	(6,471)
Transfers	1,717	-	-	(1,860)	143	-
Translation differences	1,802	48	196	1	105	2,152
31 December 2015	56,423	2,587	22,400	14,066	15,356	110,832
Accumulated depreciation:						
31 December 2014	382	1,419	16,434	-	8,366	26,601
Charge	858	300	1,734	-	1,443	4,335
Disposals	(219)	(222)	(1,195)	-	(1,214)	(2,850)
Translation differences	77	33	127	-	47	284
31 December 2015	1,098	1,530	17,100	-	8,642	28,370
Net book value:						
31 December 2015	55,325	1,057	5,300	14,066	6,714	82,462

(Millions of Kazakhstani Tenge)

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Total
Revalued/initial cost:						
31 December 2013	51,903	2,531	22,471	1,107	13,489	91,501
Additions	883	347	2,898	13,722	773	18,623
Disposals	(3,567)	(263)	(2,750)	(578)	(442)	(7,600)
Additions through acquisition of subsidiary	-	9	75	-	473	557
Transfers	1,740	-	114	(1,655)	(199)	-
Write-off at revaluation	(1,654)	-	-	-	-	(1,654)
Revaluation	6,676	-	-	-	-	6,676
Impairment	(831)	(64)	(150)	-	(96)	(1,141)
Translation differences	(776)	(3)	(10)	-	(8)	(797)
31 December 2014	54,374	2,557	22,648	12,596	13,990	106,165
Accumulated depreciation:						
31 December 2013	1,265	1,386	17,326	-	7,910	27,887
Charge	809	330	1,335	-	1,256	3,730
Disposals	(12)	(294)	(2,212)	-	(790)	(3,308)
Write-off at revaluation	(1,654)	-	-	-	-	(1,654)
Translation differences	(26)	(3)	(15)	-	(10)	(54)
31 December 2014	382	1,419	16,434	-	8,366	26,601
Net book value:						
31 December 2014	53,992	1,138	6,214	12,596	5,624	79,564

(Millions of Kazakhstani Tenge)

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Total
Revalued/initial cost:						
31 December 2012	51,813	2,363	21,307	684	13,109	89,276
Additions	740	327	1,617	1,770	889	5,343
Disposals	(689)	(157)	(608)	(14)	(635)	(2,103)
Transfers	1,038	-	161	(1,330)	131	-
Revaluation	(636)	-	-	-	-	(636)
Impairment	(175)	-	-	-	-	(175)
Translation differences	(188)	(2)	(6)	(3)	(5)	(204)
31 December 2013	51,903	2,531	22,471	1,107	13,489	91,501
Accumulated depreciation:						
31 December 2012	652	1,236	15,715	-	6,668	24,271
Charge	825	305	2,150	-	1,565	4,845
Disposals	(202)	(153)	(538)	-	(321)	(1,214)
Write-off at revaluation	(1)	-	-	-		(1)
Translation differences	(9)	(2)	(1)	-	(2)	(14)
31 December 2013	1,265	1,386	17,326	-	7,910	27,887
Net book value:						
31 December 2013	50,638	1,145	5,145	1,107	5,579	63,614

The Group's revaluation policy requires the entire asset class of buildings and construction to be revalued every three years. In the event of specific market or property indicators the Group may opt to perform revaluations more regularly.

The Group had its buildings and properties revalued during 2014 by independent appraisers. The independent appraisers used three approaches to identify the fair value of the property and equipment - the income approach with the income capitalization method and the comparative approach, using market information to identify the fair value of buildings and structures under active market conditions, and the cost approach when no active market existed for items subject to revaluation. The Group's management believes that as at 31 December 2015 the fair value of property does not differ materially from its carrying amount.

As at 31 December 2015, the fair value measurements of the Group's buildings and constructions, are categorized into Level 2 and Level 3, in amount of KZT 55,249 million and KZT 76 million, respectively (31 December 2014: KZT 53,917 million and KZT 75 million, respectively; 31 December 2013: KZT 49,955 and KZT 683 million, respectively). Description of measurement hierarchy is disclosed in Note 38.

As at 31 December 2015, total amount of fair value of buildings and construction was KZT 55,325 million. As at 31 December 2015, the carrying amount of property and equipment that would have been recognized had the assets been carried under the cost model is KZT 49,526 million.

(Millions of Kazakhstani Tenge)

16. INTANGIBLE ASSETS

The movements in intangible assets are as follows:

	Software	Licensing agreements for the right to use the software	Customer deposit intangible	Other intangible assets	Total
Cost:					
31 December 2012	8,782	2,542	-	377	11,701
Additions	749	561	-	96	1,406
Disposals	(841)	(120)	-	(350)	(1,311)
Translation differences	(15)	-	-	-	(15)
31 December 2013	8,675	2,983	-	123	11,781
Additions	1,296	765	-	254	2,315
Additions through acquisition of subsidiary	30	-	2,226	-	2,256
Disposals	(234)	(4)	-	(178)	(416)
Translation differences	(47)	-	-	-	(47)
31 December 2014	9,720	3,744	2,226	199	15,889
Additions	1,779	303	-	144	2,226
Disposals	(338)	(7)	-	(273)	(618)
Translation differences	187	120	-	-	307
31 December 2015	11,348	4,160	2,226	70	17,804
Accumulated depreciation:					
31 December 2012	4,772	1,332	-	3	6,107
Charge	734	164	-	4	902
Disposals	(767)	(71)	-	-	(838)
Translation differences	(7)	-	-	-	(7)
31 December 2013	4,732	1,425	-	7	6,164
Charge	997	252	41	3	1,293
Disposals	(192)	(3)	-	-	(232)
Translation differences	(37)	-	-	-	(37)
31 December 2014	5,500	1,674	41	10	7,225
Charge	1,523	19	445	1	1,988
Disposals	(254)	-	-	-	(254)
Translation differences	163	23	-	-	186
31 December 2015	6,932	1,716	486	11	9,145
Net book value:					
31 December 2013	3,943	1,558	-	116	5,617
31 December 2014	4,220	2,070	2,185	189	8,664
31 December 2015	4,416	2,444	1,740	59	8,659

Customer deposit intangibles originated from acquisition of subsidiary and were calculated based on stable level of deposits.

(Millions of Kazakhstani Tenge)

17. ASSETS HELD FOR SALE

During 2010 and 2009, after the default of certain counterparties on loans to customers, the Group recognized the property pledged as collateral for the loans as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less disposal costs or the carrying value, as the Bank's management of the appropriate level committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan was initiated.

Assets held for sale comprised the following:

	31 December 2013	31 December 2014	31 December 2015
Land	10,432	8,044	2,707
Real estate	973	754	205
	11,405	8,798	2,912

In November 2014, the Group performed an independent valuation of its assets held for sale and based on the results recognized an impairment loss of KZT 102 million.

Despite that the Group marketed actively these assets for sale, the majority was not sold within a short timeframe. However, the Management remains committed to selling of these assets. As the assets are carried at a price not exceeding current fair value less costs to sell, they continue to be classified as held for sale at the end of 2015, 2014 and 2013.

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

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

	Level 1	Level 2	Level 3
31 December 2013			
Land	-	-	2,707
Real estate	-	176	29
31 December 2014			
Land	-	-	8,044
Real estate	-	645	109
31 December 2015			
Land			10,432
Real estate		968	5

(Millions of Kazakhstani Tenge)

18. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	31 December 2015	31 December 2014	31 December 2013
Unearned reinsurance premium	12,859	10,420	7,424
Reinsurance amounts	1,556	2,221	3,185
	14,415	12,641	10,609
Premiums receivable	9,442	7,679	2,770
Insurance assets	23,857	20,320	13,379

Insurance liabilities comprised the following:

	31 December 2015	31 December 2014	31 December 2013
Reserves for insurance claims	24,797	18,360	16,209
Gross unearned insurance premium reserve	19,043	15,105	10,796
	43,840	33,465	27,005
Payables to reinsurers and agents	7,143	5,342	2,710
Insurance liabilities	50,983	38,807	29,715

Insurance risk

The Company establishes underwriting guidelines and limits, which stipulate the approval process for risks and their limits. These limits are being continuously monitored. The Company’s direct insurance business is spread throughout the Republic of Kazakhstan. The Company’s reinsurance portfolio is diversified in terms of geographical spread and in terms of lines of business.

Claims management risk

The risk that claims are handled or paid inappropriately is managed using a range of IT system controls and manual processes conducted by experienced staff. These, together with a range of detailed policies and procedures, ensure that all claims are handled in a timely, appropriate and accurate manner.

Reinsurance risk

Reinsurance is used to protect against the impact of major catastrophic events or unforeseen volumes of, or adverse trends in, large individual claims and to transfer risk that is outside the Group’s current risk appetite.

Reinsurance of risk above the Group’s appetite is only effective if the reinsurance premium is economic and the counterparty is financially secure.

The Group evaluates the financial strengths of its reinsurers and monitors the concentration of credit risks arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

(Millions of Kazakhstani Tenge)

Reserving risk

There is a risk that reserves are assessed incorrectly and there are not enough funds to pay or handle claims as they fall due. To estimate insurance and reinsurance liabilities the Group uses actuarial methods and assumptions set by the Regulatory Body.

Credit risk in respect to insurance

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor, or groups of debtors and geographical segments. Limits on the level of credit risk by a debtor and reinsurer are approved by the appropriate body on a regular basis. Such risks are monitored continuously and subject to an annual or more frequent reassessment.

The movements on claims reserves for the years ended 31 December 2015, 2014 and 2013, were as follows:

	2015	2014	2013
Reserves for claims, beginning of the year	18,360	16,209	13,108
Reserves for claims, reinsurance share, beginning of the year	(2,221)	(3,185)	(5,003)
Net reserves for claims, beginning of the year	16,139	13,024	8,105
Plus claims incurred	22,793	16,195	13,933
Less claims paid	(15,692)	(13,080)	(9,014)
Net reserves for claims, end of the year	23,240	16,139	13,024
Reserves for claims, reinsurance share, end of the year	1,557	2,221	3,185
Reserves for claims, end of the year	24,797	18,360	16,209

The movements on unearned insurance premium reserve for the years ended 31 December 2015, 2014 and 2013, were as follows:

	2015	2014	2013
Gross unearned insurance premium reserve, beginning of the year	15,105	10,796	9,908
Unearned insurance premium reserve, reinsurance share, beginning of the year	(10,420)	(7,424)	(7,065)
Net unearned insurance premium reserve, beginning of the year	4,685	3,372	2,843
Change in unearned insurance premium reserve	3,938	4,309	888
Change in unearned insurance premium reserve, reinsurance share	(2,439)	(2,996)	(359)
Net change in unearned insurance premium reserve	1,499	1,313	529
Net unearned insurance premium reserve, end of the year	6,184	4,685	3,372
Unearned insurance premium reserve, reinsurance share, end of the year	12,859	10,420	7,424
Gross unearned insurance premium reserve, end of the year	19,043	15,105	10,796

(Millions of Kazakhstani Tenge)

19. OTHER ASSETS

Other assets comprise:

	31 December 2015	31 December 2014	31 December 2013
Other financial assets recorded as loans and receivables in accordance with IAS 39:			
Debtors on banking activities	8,171	9,788	6,293
Debtors on non-banking activities	1,802	2,204	891
Accrued other commission income	806	778	758
Accrued commission for managing pension assets	-	-	1,204
Other	15	20	9
	10,794	12,790	9,155
Less – Allowance for impairment (Note 23)	(4,568)	(4,297)	(5,176)
	6,226	8,493	3,979
Other non-financial assets:			
Prepayments for property and equipment	7,601	1,682	1,009
Inventory	1,039	1,161	1,367
Advances for taxes other than income tax	753	615	623
Investments in associates	65	30	24
Other	3,082	1,435	869
	12,540	4,923	3,892
	18,766	13,416	7,871

20. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	31 December 2015	31 December 2014	31 December 2013
Recorded at amortized cost:			
Term deposits:			
Individuals	1,276,609	764,935	644,732
Legal entities	868,833	380,810	557,059
	2,145,442	1,145,745	1,201,791
Current accounts:			
Legal entities	701,468	529,204	399,153
Individuals	196,821	173,264	165,704
	898,289	702,468	564,857
	3,043,731	1,848,213	1,766,648

As at 31 December 2015, the Group's ten largest groups of related customers accounted for approximately 28% of the total amounts due to customers (31 December 2014 – 26%; 31 December 2013 – 32%), where each group of related customers represents customers related to each other within that group.

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

(Millions of Kazakhstani Tenge)

An analysis of customer accounts by sector is as follows:

	31 December 2015	%	31 December 2014	%	31 December 2013	%
Individuals and entrepreneurs	1,473,430	48%	938,199	51%	810,436	46%
Oil and gas	604,738	20%	296,546	16%	306,889	17%
Wholesale trade	151,395	5%	77,060	4%	83,703	5%
Other consumer services	142,768	5%	72,918	4%	148,380	8%
Transportation	131,926	4%	108,663	6%	80,322	5%
Financial sector	112,462	4%	43,796	2%	52,624	3%
Construction	82,841	3%	66,379	4%	69,094	4%
Healthcare and social services	65,434	2%	31,213	2%	7,771	0%
Metallurgy	48,406	1%	29,383	2%	13,949	1%
Energy	45,280	1%	14,195	1%	9,751	0%
Education	23,547	1%	18,291	1%	17,332	1%
Government	20,309	1%	25,139	1%	36,686	2%
Communication	15,714	1%	15,045	1%	11,376	1%
Insurance and pension funds activity	8,368	0%	22,284	1%	31,176	2%
Other	117,113	4%	89,102	4%	87,159	5%
	3,043,731	100%	1,848,213	100%	1,766,648	100%

21. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	31 December 2015	31 December 2014	31 December 2013
Recorded at amortized cost:			
Loans and deposits from Kazakhstan banks	53,945	17,678	81,786
Loans from JSC National Managing Holding KazAgro	41,866	47,846	-
Loans from JSC Entrepreneurship Development Fund DAMU	32,882	21,127	-
Loans from JSC Development Bank of Kazakhstan	19,365	8,009	-
Correspondent accounts	8,420	5,646	2,628
Loans and deposits from OECD based banks	6,976	3,963	3,831
Overnight deposits	3,005	-	8,611
Loans from other financial institutions	1,791	1,174	1,916
Loans and deposits from non-OECD based banks	8	1,749	8,623
	168,258	107,192	107,395

As at 31 December 2015, loans from JSC National Managing Holding KazAgro ("KazAgro") included a long-term loan of KZT 41,810 million at 3.0% interest rate maturing in 2022 (31 December 2014 – KZT 47,783 million). The loan was received for restructuring/refinancing of loan/leasing debts of the Bank's borrowers operating in agricultural sector, originated before 1 January 2014 in connection with working capital loans, loans for the purchase of fixed assets, loans for construction-and-assembling works and loans for leasing of agriculture and technology equipment. Restructuring/refinancing of loan/leasing obligations is provided at 6.0% - 7.0% interest rate for the period not later than 31 December 2022.

(Millions of Kazakhstani Tenge)

As at 31 December 2015, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included a long-term loan of KZT 32,721 million at 2.0% interest rate maturing in 2034 with an early recall option (31 December 2014 – KZT 20,000 million). The loan was received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

As at 31 December 2015, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 16,000 million (31 December 2014 – KZT 8,000 million) at 2% interest rate maturing in 2034-2035, to finance corporate enterprises operating in manufacturing industries, as well as long-term loan of KZT 3,300 million at 1% interest rate maturing in 2035, to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate, and to retail borrowers – up to 5 years at 4.0% interest rate.

The Management of the Group believes that there are no other similar financial instruments and due to its specific nature, the loans from DAMU, KazAgro and DBK represent separate segments in SME lending. As a result, the loans from DAMU, KazAgro and DBK were received in an orderly transaction and as such have been recorded at fair value at the recognition date which was determined to be the cash consideration transferred to the customers.

Interest rates and maturities of amounts due to credit institutions are as follows:

	31 December 2015		**31 December 2014**		**31 December 2013**	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, Year**	**Interest rate, %**	**Maturity, year**
Loans and deposits from Kazakhstan banks	3.2%-11.4%	2016	3.3%-3.5%	2015-2034	0.5%-5.0%	2014
Loans from JSC National Managing Holding KazAgro	3.0%	2019-2022	3.0%	2019-2022	-	-
Loans from JSC Entrepreneurship Development Fund DAMU	2.0%	2016-2035	2.0%	2015-2034	-	-
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2016-2035	1.0%-2.0%	2015-2034	-	-
Loans and deposits from OECD based banks	1.1%-6.5%	2016-2023	0.9%-6.5%	2016-2023	1.0%-6.5%	2016-2023
Overnight deposits	60%	2016	-	-	0.5%-3.5%	2014
Loans from other financial institutions	4.8%-6.2%	2016	4.8%-6.2%	2015-2016	2.6%-6.0%	2014-2018
Loans and deposits from non-OECD based banks	0.7%-7.0%	2016-2017	0.7%-7.0%	2015-2017	0.6%-4.5%	2014

(Millions of Kazakhstani Tenge)

Fair value of assets pledged (Notes 11) and carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 December 2015, 2014 and 2013, are as follows:

	31 December 2015		31 December 2014		31 December 2013	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of Kazakhstan	51,763	45,242	12,575	12,017	73,110	67,804
	51,763	45,242	12,575	12,017	73,110	67,804

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

Loans under repurchase agreements are used by the Group to provide current cash flows in KZT within the Group's operating activities. The Group regularly uses this type of instruments to attract short-term liquidity and plans to continue raining funds through loans under repurchase agreements when the needs arise.

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

	Investments available-for-sale (Note 11)
As at 31 December 2015:	
Carrying amount of transferred assets	51,763
Carrying amount of associated liabilities	45,242
As at 31 December 2014:	
Carrying amount of transferred assets	12,575
Carrying amount of associated liabilities	12,017
As at 31 December 2013:	
Carrying amount of transferred assets	73,110
Carrying amount of associated liabilities	67,804

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

The Group's management believes that as at 31 December 2015, 2014 and 2013, the Group was in compliance with the covenants of the agreements the Group has with the trustees and holders of the notes.

(Millions of Kazakhstani Tenge)

22. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	31 December 2015	31 December 2014	31 December 2013
Recorded at amortized cost:			
Subordinated debt securities issued:			
Fixed rate KZT denominated bonds	4,989	7,815	11,755
Reverse inflation indexed KZT denominated bonds	4,051	8,470	8,489
Inflation indexed KZT denominated bonds	-	3,944	3,941
Total subordinated debt securities outstanding	9,040	20,229	24,185
Unsubordinated debt securities issued:			
USD denominated bonds	363,829	195,255	165,330
KZT denominated bonds	224,656	95,525	-
Total unsubordinated debt securities outstanding	588,485	290,780	165,330
Total debt securities outstanding	597,525	311,009	189,515

In 2014, the Bank placed KZT 100,000 million 7.5% bonds with maturity in November 2024, issued as per Kazakhstan legislation. In 2015, the Bank placed KZT 131,652 million 7.5% bonds with maturity in February 2025, issued as per Kazakhstan legislation.

The Bank plans to utilize the raised funds to diversify its liabilities and for customer lending.

The coupon rates and maturities of these debt securities issued are as follows:

	31 December 2015		31 December 2014		31 December 2013	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:						
Fixed rate KZT denominated bonds	13%	2018	7.5%-13.0%	2015-2018	7.5%-13.0%	2014-2018
Reverse inflation indexed KZT denominated bonds	15% less inflation rate	2016	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016
Inflation indexed KZT denominated bonds	-	-	inflation rate plus 1%	2015	inflation rate plus 1%	2015
Unsubordinated debt securities issued:						
USD denominated bonds	7.3%	2017-2021	7.3%	2017-2021	7.3%	2017-2021
KZT denominated bonds	7.5%	2024-2025	7.5%	2024	-	-

As at 31 December 2015, accrued interest on debt securities issued was KZT 11,990 million (as at 31 December 2014 – KZT 4,829 million, as at 31 December 2013 – KZT 3,321 million).

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Coupon payments on debt securities issued are payable on a semi-annual and annual basis.

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In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 31 December 2015, 2014 and 2013, the Group was in compliance with the covenants of the agreements the Group has with trustees and holders of the notes.

23. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

The movements in accumulated impairment of available-for-sale investment securities, the allowances for impairment of interest earning and other assets were as follows:

	Loans to customers (Note 12)	Amounts due from credit institutions (Note 10)	Available-for-sale investment securities (Note 11)	Other Assets (Note 19)	Total
31 December 2012	(302,926)	(2)	(999)	(2,389)	(306,316)
Additional provisions recognized	(141,915)	(4)	(41)	(14,096)	(156,056)
Recoveries of provisions	118,919	1	-	11,115	130,035
Write-offs	4,819	-	-	159	4,978
Foreign exchange differences	(2,208)	-	-	35	(2,173)
31 December 2013	(323,311)	(5)	(1,040)	(5,176)	(329,532)
Additional provisions recognized	(253,896)	-	(842)	(13,975)	(268,713)
Recoveries of provisions	246,672	-	29	14,625	261,326
Write-offs	73,028	-	-	189	73,217
Foreign exchange differences	(28,511)	5	(14)	40	(28,480)
31 December 2014	(286,018)	-	(1,867)	(4,297)	(292,182)
Additional provisions recognized	(155,285)	(7)	(4,311)	-	(159,603)
Recoveries of provisions	147,346	-	140	-	147,486
Write-offs	46,584	-	594	133	47,311
Foreign exchange differences	(57,741)	-	(72)	(404)	(58,217)
31 December 2015	(305,114)	(7)	(5,516)	(4,568)	(315,205)

During the years ended 31 December 2015 and 2014 the Group wrote off loans for KZT 46,584 million and KZT 73,028 million, respectively. Changes introduced to the Tax Code of Kazakhstan as at 1 January 2014 allow loan write-offs without being considered forgiveness of the loan for tax purposes and therefore not subject to corporate income tax.

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Provision represents provisions against letters of credit and guarantees issued. The movements in provisions were as follows:

	2015	2014	2013
At the beginning of the year	(407)	(4,163)	(4,385)
Provisions	(999)	(172)	(5,564)
Recoveries of provisions	640	4,208	5,774
Additions through the acquisition of subsidiary	-	(353)	-
Foreign exchange differences	(216)	73	12
At the end of the year	982	(407)	(4,163)

24. TAXATION

The Bank and its subsidiaries, other than OJSC NBK Bank, OJSC Halyk Bank Kyrgyzstan and JSC Halyk Bank Georgia are subject to taxation in Kazakhstan. JSC NBK Bank is subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia.

The income tax expense comprises:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Current tax charge	7,181	20,791	19,435
Deferred income tax expense/(benefit) relating to origination and reversal of temporary differences	24,869	3,942	(2,913)
Adjustments recognised in the current period for deferred tax of prior periods	-	2,788	-
Income tax expense	32,050	27,521	16,522

Deferred income tax expense/(benefit) relating to the following temporary difference:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Fair value of derivatives and investments available for sale	29,103	185	338
Loans to customers, allowance for impairment losses	513	2,242	(1,940)
Tax loss carry forward	(3,531)	-	-
Property and equipment, accrued depreciation	(671)	1,045	280
Interest accrued, but not paid	-	-	(2,788)
Other	(545)	470	1,197
Income tax expense	24,869	3,942	(2,913)

During the year ended 31 December 2014, due to the changes in the Tax Code related to the deduction of accrued interest expense, the Group adjusted its deferred tax assets correspondingly.

The tax rate for Kazakhstan companies was 20% during the years ended 31 December 2015, 2014 and 2013. Income on state and other qualifying securities is tax exempt.

The tax rates in the Russian Federation, the Republic of Kyrgyzstan and Georgia are 20%, 10% and 15%, respectively.

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The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on Kazakhstan statutory rate of 20% with the reported income tax expense is as follows:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Income before income tax expense	152,362	141,898	88,931
Statutory tax rate	20%	20%	20%
Income tax expense at the statutory rate	30,472	28,380	17,786
Tax-exempt interest income and other related income on state and other qualifying securities	(2,915)	(2,370)	(3,086)
Income on dividends taxed at emitter	(72)	(105)	(75)
Income of subsidiaries taxed at different rates	(30)	(45)	(55)
Tax-exempt interest income on financial lease	(35)	(161)	(287)
Non-deductible expenditures:			
- other provisions	2,459	130	596
- general and administrative expenses	197	150	131
- charity	100	114	112
Other	1,874	1,428	1,400
Income tax expense	32,050	27,521	16,522

Deferred tax assets and liabilities comprise:

	31 December 2015	31 December 2014	31 December 2013
Tax effect of deductible temporary differences:			
Tax loss carry forward	3,531	-	-
Bonuses accrued	1,936	1,453	1,122
Fair value of derivatives	1,305	-	82
Vacation pay accrual	349	265	241
Interest accrued, but not paid	-	-	2,788
Other	113	162	94
Deferred tax asset	7,234	1,880	4,327
Tax effect of taxable temporary differences:			
Fair value of derivatives and investments available-for-sale	(31,260)	(578)	(475)
Property and equipment, accrued depreciation	(5,054)	(5,725)	(4,681)
Allowance for loans to customers	(3,966)	(3,769)	(3,115)
Core deposit intangible	(348)	(445)	-
Other	(2,049)	(1,589)	(275)
Deferred tax liability	(42,677)	(12,106)	(8,546)
Net deferred tax liability	(35,443)	(10,226)	(4,219)

Current tax assets and liabilities comprise:

	31 December 2015	31 December 2014	31 December 2013
Current tax refund receivable	16,469	530	1,344
Current income tax payable	(379)	(2,444)	(2,257)
Current tax asset/(liability)	16,090	(1,914)	(913)

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The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	31 December 2015	**31 December 2014**	**31 December 2013**
Deferred tax asset	1,919	447	301
Deferred tax liability	(37,362)	(10,673)	(4,520)
Net deferred tax liability	(35,443)	(10,226)	(4,219)

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on Management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

In Kazakhstan tax years remain open to review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

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Movements in net deferred tax liability:

	2015	2014	2013
Net deferred tax liability at the beginning of the year	10,226	4,219	6,816
Deferred tax expense/(benefit)	24,869	3,942	(2,913)
Deferred tax on core deposit intangible	348	445	-
Adjustments recognised in the current period for deferred tax of prior periods	-	2,788	-
Deferred tax expense through other comprehensive income on revaluation due to reclassification of investments held to maturity into available-for-sale	-	-	443
Credited to other comprehensive income at the date of property and equipment revaluation	-	(1,168)	(127)
Net deferred tax liability at the end of the year	35,443	10,226	4,219

25. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2015	31 December 2014	31 December 2013
Other financial liabilities:			
Salary payable	10,790	8,263	6,274
Payable for general and administrative expenses	779	489	608
Creditors on bank activities	488	822	602
Creditors on non-banking activities	299	282	696
Other	375	497	68
	12,731	10,353	8,248
Other non financial liabilities:			
Creditors on commercial property	4,050	-	-
Taxes payable other than income tax	2,183	1,413	1,361
Other prepayments received	1,233	919	344
	7,466	2,332	1,705
	20,197	12,685	9,953

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26. EQUITY

Authorized, issued and fully paid number of shares as at 31 December 2015, 2014 and 2013, were as follows:

31 December 2015	**Share capital authorized**	**Share capital authorized and not issued**	**Fully paid and issued share capital**	**Share capital repurchased**	**Outstanding shares**
Common	24,000,000,000	(12,871,481,549)	11,128,518,451	(219,067,900)	10,909,450,551
Non-convertible preferred	600,000,000	(290,140,570)	309,859,430	(289,415,498)	20,443,932
Convertible preferred	80,225,222	-	80,225,222	(79,855,667)	369,555
31 December 2014	**Share capital authorized**	**Share capital authorized and not issued**	**Fully paid and issued share capital**	**Share capital repurchased**	**Outstanding shares**
Common	24,000,000,000	(12,871,481,549)	11,128,518,451	(218,619,738)	10,909,898,713
Non-convertible preferred	600,000,000	(290,140,570)	309,859,430	(200,558,485)	109,300,945
Convertible preferred	80,225,222	-	80,225,222	(363,822)	79,861,400
31 December 2013	**Share capital authorized**	**Share capital authorized and not issued**	**Fully paid and issued share capital**	**Share capital repurchased**	**Outstanding shares**
Common	24,000,000,000	(12,871,481,549)	11,128,518,451	(219,817,932)	10,908,700,519
Non-convertible preferred	600,000,000	(290,140,570)	309,859,430	(194,325,596)	115,533,834
Convertible preferred	80,225,222	-	80,225,222	(227,972)	79,997,250

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares			**Nominal (placement) amount**		
	Common	**Non-convertible preferred**	**Convertible preferred**	**Common**	**Non-convertible preferred**	**Convertible preferred**
31 December 2012	10,907,961,655	95,712,499	79,724,654	43,597	5,837	13,233
Purchase of treasury shares	(9,901,883)	(688,005)	(101,169)	(11)	-	-
Sale of treasury shares	10,640,747	20,509,340	373,765	11	3,494	-
31 December 2013	10,908,700,519	115,533,834	79,997,250	43,597	9,331	13,233
Purchase of treasury shares from Samruk-Kazyna (including the cost of the call option – see Note 1)	-	(6,232,399)	-	-	(1,461)	-
Purchase of treasury shares	(6,420,528)	(521)	(135,850)	(7)	-	-
Sale of treasury shares	7,618,722	31	-	8	-	-
31 December 2014	10,909,898,713	109,300,945	79,861,400	43,598	7,870	13,233
Purchase of treasury shares	(8,746,220)	(93,050,844)	(79,740,576)	(9)	(13,024)	(11,156)
Sale of treasury shares	8,298,058	4,193,831	248,731	8	-	-
31 December 2015	10,909,450,551	20,443,932	369,555	43,597	(5,154)	2,077

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Common shares

At 31 December 2015, the Group held 219,067,900 of the Group's common shares as treasury shares at KZT 39,974 million (31 December 2014 – 218,619,738 at KZT 39,973 million; 31 December 2013 – 219,817,932 at KZT 39,974 million).

Each common share outstanding is entitled to one vote and dividends. Treasury shares are not entitled to any vote or dividend.

Preferred shares

In accordance with IAS 32 "Financial Instruments: Presentation", both the non-convertible and convertible preferred shares (together, the "Preferred Shares") are classified as compound instruments. Upon the return of capital in the case of liquidation, the assets of the Group available for distribution are applied to any amount equal to paid up share capital or credited as paid up share capital due to the holders of the Preferred Shares in priority to the holders of the Common shares.

The terms of the Preferred Shares require that the Group pay a nominal dividend amount of 0.01 KZT per share in order to comply with Kazakhstan legislation, which represents the liability component. This legislation requires joint stock companies to pay a certain guaranteed amount of dividends on Preferred shares. According to Kazakhstan legislation on Joint Stock Companies, dividend payments on the Preferred shares cannot be less than the dividends paid on common shares. Furthermore, the dividends on common shares will not be paid until dividends on Preferred shares are fully paid.

The payment of additional dividends on the Preferred Shares is determined based on a formula specified in the share prospectus and is based on the Group's profitability. Where the Group has net income no greater than KZT 160 times the quantity of issued Preferred Shares, multiplied by a factor of inflation as published by the NBRK plus one per cent, the dividend per Preferred Share is determined as net income divided by the quantity of issued Preferred Shares. Where net income is greater than this, the dividend per Preferred Share is calculated as KZT 160 multiplied by a factor of inflation as published by the NBRK plus one per cent. Inflation in either calculation will range between three and nine per cent. Dividends on the Preferred Shares are paid only after the Board of Directors approves payment terms of such dividends and the Annual General Shareholders Meeting approves distribution of net income received for the respective financial year. The Preferred Shares do not have any voting rights, unless the payment of preferred dividends has been delayed for three months or more from the date they became due.

Dividends paid for the previous financial years were as follows:

	Paid in 2015 for the year ended 31 December 2014	**Paid in 2014 for the year ended 31 December 2013**	**Paid in 2013 for the year ended 31 December 2012**
Dividend paid per one preferred share, (convertible and non-convertible), tenge	13.44	9.28	11.20
Dividend paid per one common share	3.14	1.70	1.12

Share premium reserve

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

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Convertible preferred shares

Each convertible preferred share is convertible to one common share at the discretion of the Board of Directors. In addition, the Group will pay a compensation amount to each convertible preferred shareholder on conversion based on a formula specified in the share prospectus. This payment is calculated in a way that, if at the date of conversion, the value of the common shares received by the preferred shareholder is less than KZT 160 per share, the Group will reimburse the preferred shareholders for the difference in cash at the time of conversion.

27. FINANCIAL COMMITMENTS AND CONTINGENCIES

The Group's financial commitments and contingencies comprised the following:

	31 December 2015	31 December 2014	31 December 2013
Guarantees issued	186,306	155,639	156,699
Commitments to extend credit	35,178	20,525	13,810
Commercial letters of credit	17,064	6,657	12,093
Financial commitments and contingencies	238,548	182,821	182,602
Less: cash collateral against letters of credit	(18,675)	(3,427)	(6,249)
Less: provisions (Note 23)	(982)	(407)	(4,163)
Financial commitments and contingencies, net	218,891	178,987	172,190

Guarantees issued represent bank guarantees issued by the Bank by order of its clients, and which are in effect as at the reporting date. As at 31 December 2015, the ten largest guarantees accounted for 74% of the Group's total financial guarantees (31 December 2014 – 76%; 31 December 2013 – 83%) and represented 26% of the Group's total equity (31 December 2014 – 25%; 31 December 2013 – 33%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 31 December 2015, the ten largest unsecured letters of credit accounted for 93% of the Group's total commercial letters of credit (31 December 2014 – 73%; 31 December 2013 –49%) and represented 3% of the Group's total equity (31 December 2014 – 1%; 31 December 2013 – 1.5%).

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through review of the credit risk of the borrower or analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

Capital commitments

As at 31 December 2015 the Group had commitments for capital expenditures in respect of construction in progress for KZT 7,861 million (31 December 2014 and 2013 – KZT Nil million).

Operating lease commitments

There was no material operating lease commitments under non-cancellable operating leases outstanding as at 31 December 2015, 2014 and 2013.

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28. NET INTEREST INCOME

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Interest income comprises:			
Interest income on financial assets recorded at amortized cost:			
- interest income on individually assessed unimpaired assets	107,574	94,391	77,265
- interest income on individually assessed impaired assets	27,914	23,794	27,233
- interest income on collectively assessed assets	98,183	72,363	61,994
Interest income on available-for-sale investment securities	21,089	19,959	16,035
Interest income on financial assets at fair value through profit or loss	96	86	36
Total interest income	254,856	210,593	182,563
Interest income on loans to customers	228,775	185,585	160,559
Interest income on cash and cash equivalents and amounts due from credit institutions	4,896	4,963	3,531
Interest income on investments held to maturity	-	-	2,402
Total interest income on financial assets recorded at amortized cost	233,671	190,548	166,492
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held for trading	96	86	36
Total interest income on financial assets at fair value through profit or loss	96	86	36
Interest income on available-for-sale investment securities	21,089	19,959	16,035
Total interest income	254,856	210,593	182,563
Interest expense comprises:			
Interest expense on financial liabilities recorded at amortized cost	(104,552)	(77,458)	(75,932)
Total interest expense	(104,552)	(77,458)	(75,932)
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest expense on amounts due to customers	(64,927)	(57,799)	(53,954)
Interest expense on amounts due to credit institutions	(5,369)	(2,403)	(940)
Interest expense on debt securities issued	(34,256)	(17,256)	(21,038)
Total interest expense on financial liabilities recorded at amortized cost	(104,552)	(77,458)	(75,932)
Net interest income before impairment charge	150,304	133,135	106,631

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29. FEES AND COMMISSIONS

Fee and commission income derived from the following sources:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Bank transfers - settlements	14,102	11,165	10,260
Cash operations	9,369	8,757	7,338
Payment cards maintenance	9,471	7,934	6,823
Bank transfers – salary projects	6,862	6,456	5,922
Servicing customers' pension payments	5,867	5,047	4,234
Letters of credit and guarantees issued	3,363	3,183	3,510
Maintenance of customer accounts	1,684	1,327	984
Other	2,590	2,904	2,798
Pension fund and asset management	-	11,865	9,537
	53,308	58,638	51,406

Fee and commission income from Pension fund and asset management derived from the following:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Investment income from management of pension assets	-	10,259	3,417
Income from administration of pension assets	-	1,606	6,120
	-	11,865	9,537

On 26 March 2014 APF transferred all pension assets to JSC SAPF. Subsequently the Group stopped carrying out pension asset management activities.

Fee and commission expense comprised the following:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Deposit insurance	(4,796)	(4,016)	(3,435)
Payment cards	(2,943)	(2,201)	(1,361)
Foreign currency operations	(919)	(778)	(368)
Bank transfers	(517)	(335)	(260)
Commission paid to collectors	(437)	(495)	(614)
Other	(1,225)	(734)	(1,101)
	(10,837)	(8,559)	(7,139)

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30. NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Net gain on operations with financial assets and liabilities classified as held for trading:			
Unrealized net gain on derivative and trading operations	153,169	1,291	113
Realized net gain on derivative operations	39,122	6,383	161
Realized net gain/(loss) on trading operations	33	168	(13)
Total net gain on operations with financial assets and liabilities classified as held for trading	192,324	7,842	261

Unrealized gain on operations with derivative financial instruments refers mainly to swap agreements with NBRK for which the fair value significantly increased due to depreciation of USD to KZT exchange rate.

31. NET FOREIGN EXCHANGE (LOSS)/GAIN

Net foreign exchange (loss)/gain comprises:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Dealing, net	8,463	10,527	6,667
Translation differences, net	(169,485)	(3,441)	2,594
Total net foreign exchange (loss)/gain	(161,022)	7,086	9,261

Net foreign exchange loss in 2015 is associated with the announcement of the Government and the NBRK on transition to a new monetary policy based on free-floating KZT exchange rate, and cancellation of the currency corridor.

32. INSURANCE UNDERWRITING INCOME

Insurance underwriting income/expense comprised:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Insurance premiums written, gross	50,859	38,887	34,331
Change in unearned insurance premiums, net	(5,439)	(1,869)	(734)
Ceded reinsurance share	(19,846)	(16,340)	(14,186)
	25,574	20,678	19,411
Insurance payments	(10,081)	(8,528)	(8,457)
Commissions to agents	(5,855)	(4,332)	(443)
Insurance reserves	(6,857)	(3,335)	(5,033)
	(22,793)	(16,195)	(13,933)
Total insurance underwriting income	2,781	4,483	5,478

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33. OPERATING EXPENSES

Operating expenses comprised:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Salaries and other employee benefits	40,886	35,767	30,899
Depreciation and amortization expenses	6,323	5,023	5,747
Taxes other than income tax	3,607	2,734	2,443
Rent	2,511	1,379	1,248
Security	1,933	1,494	1,436
Repair and maintenance	1,867	1,855	1,559
Communication	1,621	1,574	1,238
Utilities	1,515	1,095	1,085
Information services	1,511	1,247	941
Advertisement	1,359	1,154	1,138
Business trip expenses	738	736	639
Stationery and office supplies	719	620	599
Professional services	671	1,343	1,835
Insurance agents fees	569	700	717
Charity	509	577	564
Transportation	475	488	525
Impairment of investments in subsidiaries	351	367	-
Hospitality expenses	119	104	53
Social events	84	208	324
Write-off and impairment of property and equipment, intangible assets and investment property	57	1,141	175
Other	3,380	2,804	1,655
	70,805	62,410	54,820

34. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year.

According to Kazakhstan legislation on Joint Stock Companies, and as described in Note 26, dividend payments per common share cannot exceed the dividends per share on preferred shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

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The following table presents basic and diluted earnings per share:

	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
Basic earnings per share			
Net income for the year attributable to equity holders of the parent	120,312	114,377	72,137
Less: Dividends paid on preferred shares	(2,543)	(1,757)	(2,197)
Earnings attributable to common shareholders	117,769	112,620	69,940
Weighted average number of common shares for the purposes of basic earnings per share	10,910,049,314	10,910,233,188	10,906,545,755
Basic earnings per share (in Kazakhstani Tenge)	10.79	10.32	6.41
Diluted earnings per share			
Earnings used in the calculation of basic earnings per share	117,769	112,620	69,940
Add: Dividends paid on convertible preferred shares	1,078	744	899
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders*	N/A	N/A	N/A
Less: Amounts payable to convertible preferred shareholders upon conversion	(6,091)	(10,102)	(10,455)
Earnings used in the calculation of total diluted earnings per share	112,756	103,262	60,384
Weighted average number of common shares for the purposes of basic earnings per share	10,910,049,314	10,910,233,188	10,906,545,755
Weighted average number of common shares that would be issued for the convertible preferred shares	51,401,960	79,971,439	79,886,934
Weighted average number of common shares for the purposes of diluted earnings per share	10,961,451,274	10,990,204,627	10,986,432,689
Diluted earnings per share (in Kazakhstani Tenge)	10.29	9.40	5.50

* The calculation of basic and diluted earnings per share includes only earnings attributable to holders of common shares because dividends already paid on preferred shares are greater than that would be paid on full distribution of current period earnings.

(Millions of Kazakhstani Tenge)

As required by KASE rules for listed companies the book value of one share per each class of shares as at 31 December 2015, 2014 and 2013, is disclosed as follows:

		31 December 2015	
Class of shares	**Outstanding shares**	**Equity**	**Book value of one share, in KZT**
Common	10,909,450,551	523,109	47.95
Non-convertible preferred	20,443,932	(3,975)	(194.43)
Convertible preferred	369,555	2,135	5,777.22
		521,269	

		31 December 2014	
Class of shares	**Outstanding shares**	**Equity**	**Book value of one share, in KZT**
Common	10,909,898,713	444,217	40.72
Non-convertible preferred	109,300,945	9,049	82.79
Convertible preferred	79,861,400	13,291	166.43
		466,557	

		31 December 2013	
Class of shares	**Outstanding shares**	**Equity**	**Book value of one share, in KZT**
Common	10,908,700,519	362,761	33.25
Non-convertible preferred	115,533,834	10,510	90.97
Convertible preferred	79,997,250	13,291	166.14
		386,562	

Equity attributable to non-convertible preferred shares is calculated as the sum of non-convertible shares carrying amount and the share premium reserve attributable to non-convertible preferred shares. Equity attributable to convertible preferred shares is calculated as carrying amount of convertible preferred shares. Equity attributable to common shares is calculated as the difference between total equity, total net book value of intangible assets, and amounts attributable to preferred shares.

The management of the Group believes that it fully complies with the requirement of KASE as at the reporting dates.

35. FINANCIAL RISK MANAGEMENT

Risk management is fundamental to the Group’s banking business and is an essential element of the Group’s operations. The main risks inherent to the Group’s operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk

Credit risk is the risk of loss arising for the Group when counterparty is unable to meet its contractual obligations on time or in full.

Risk Management division plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification and evaluation and implementation of control and monitoring measures. The Risk Management division directly participates in credit decision-making processes and consideration of internal rules, regulations and loan programs. In addition, the division provides independent recommendations concerning credit exposure minimization measures, controls limits and monitors credit risks, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (ALMC). Limits on credit risk exposure with respect to credit programmes (Small and medium enterprises (SME) and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures which are reviewed by the Credit Committees and ALMC. Actual exposures against limits are monitored daily.

The risk that the counterparty will not meet its obligations is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the consolidated statement of financial position, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Structure and authorities of credit committees

Credit committees, ALMC, the Management Board and the Board of Directors are credit authorities responsible for implementation of the Bank's Credit Policy and credit decision-making process.

Head Office Credit Committee (CC)

CC is the committee, the primary goal of which is implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers.

Branch Credit Committee and Branch Network Credit Committee (BCC, BNCC)

BCC and BNCC are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting financial instruments via branches to the small and medium enterprises customers.

Delegated credit authority limits for BCC and BNCC are established by the Management Board. BCC makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the BCC, the final decision has to be taken by the BNCC. The procedure of the decision-making by the BNCC involves consideration of a package of documents, including complex analysis and assessments of the potential borrowers conducted by the Bank's experts.

Retail Branch Credit Committee of the Head Office and Decision Making Center (RCCHO and DMC)

RCCHO and DMC are credit decision authorities, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting retail financial instruments via branches.

DMC comprises of credit underwriters with delegated credit authorities based on four eyes principle. DMC makes credit decisions within their authorities and limits established by the Management Board and RCCHO. RCCHO is authorized to consider loan applications that exceed relevant credit limits or the authorities of the DMC, as well as other matters within the authorities established by the Management Board.

Along with the process of decision-making via the credit decision authorities mentioned above, there is an automated approach of decision-making process for potential borrowers whose income can be confirmed by the Independent Government body. This approach takes into account risk-profile of the potential borrower and allows minimizing the credit risk exposure in the decision-making process.

Problem loans committee of the Head Office, branches

Are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Authorized credit authorities of the Bank subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the Authorized credit authorities in accordance with the internal rules and regulations of the subsidiary. Loan applications exceeding the established limits and authorities have to be approved by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant Credit committee according to the Bank's internal rules and regulations.

ALMC

ALMC is the committee, the primary goal of which is profit maximization and to limit the risks of banking activities related to raising and allocation of funds. The main tasks of the ALMC are: liquidity management, interest rate risk management, price risk and other banking risks management.

ALMC is also responsible for establishing country and counterparty-banks limits. ALMC reports to the Board of Directors.

The Management Board

For loan applications exceeding the authorities of the Head Office Credit Committee, Branch Network Credit Committee, Retail Credit Committee of the Head Office, or exceeding the relevant limits of Branch Network Credit Committee, Retail Credit Committee of the Head Office have to be considered by the Management Board.

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The Board of Directors

If the loan applications exceed 5% of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Maximum Exposure

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

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on (Note 27). The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2015			
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**
Cash equivalents*	1,285,789	-	1,285,789	8,320
Obligatory reserves	68,389	-	68,389	-
Financial assets at fair value through profit or loss (less equity securities)	176,838	-	176,838	-
Amounts due from credit institutions	44,993	-	44,993	-
Available-for-sale investment securities (less equity securities)	373,356	-	373,356	-
Loans to customers	2,176,069	-	2,176,069	2,040,192
Other financial assets	6,226	-	6,226	-
	4,131,667	-	4,131,667	2,048,519
Commitments and contingencies	237,566	-	237,566	18,675

	31 December 2014			
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**
Cash equivalents*	410,124	-	410,124	3,803
Obligatory reserves	48,225	-	48,225	-
Financial assets at fair value through profit or loss (less equity securities)	15,361	-	15,361	-
Amounts due from credit institutions	27,095	-	27,095	-
Available-for-sale investment securities (less equity securities)	379,648	-	379,648	-
Loans to customers	1,648,013	-	1,648,013	1,579,026
Other financial assets	8,493	-	8,493	-
	2,536,959	-	2,536,959	1,582,829
Commitments and contingencies	182,414	-	182,414	3,427

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	31 December 2013			
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**
Cash equivalents*	405,561	-	405,561	32,326
Obligatory reserves	44,276	-	44,276	-
Financial assets at fair value through profit or loss (less equity securities)	1,235	-	1,235	-
Amounts due from credit institutions	25,808	-	25,808	-
Available-for-sale investment securities (less equity securities)	345,638	-	345,638	-
Loans to customers	1,482,245	-	1,482,245	1,436,711
Other financial assets	3,979	-	3,979	-
	2,308,742	-	2,308,742	1,469,037
Commitments and contingencies	178,439	-	178,439	6,249

* Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents.

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Group's internal rating system. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group, before any impairment losses:

	AA	**AA-**	**A**	**BBB**	**<BBB**	**Not Rated**	**31 December 2015 Total**
Cash equivalents*	74,268	85,108	41,422	1,033,095	46,447	5,449	1,285,789
Obligatory reserves	-	-	-	66,023	2,366	-	68,389
Financial assets at fair value through profit or loss	21	-	1,026	174,815	970	238	177,070
Amounts due from credit institutions	-	-	11,524	27,463	6,013	-	45,000
Available-for-sale investment securities	5,839	-	-	265,583	101,614	11,000	384,036
Other financial assets	-	-	-	-	-	10,794	10,794
Commitments and contingencies	-	-	-	-	-	238,548	238,548

	AA	**AA-**	**A**	**BBB**	**<BBB**	**Not Rated**	**31 December 2014 Total**
Cash equivalents*	7,743	43,135	85,484	265,090	6,184	2,488	410,124
Obligatory reserves	-	-	-	47,335	561	329	48,225
Financial assets at fair value through profit or loss	-	1	554	14,418	408	346	15,727
Amounts due from credit institutions	-	-	2,501	24,222	48	324	27,095
Available-for-sale investment securities	9,576	20	33,567	246,433	82,053	16,641	388,290
Other financial assets	-	-	-	-	-	12,790	12,790
Commitments and contingencies	-	-	-	-	-	182,821	182,821

(Millions of Kazakhstani Tenge)

	AA	AA-	A	BBB	<BBB	Not Rated	31 December 2013 Total
Cash equivalents*	10,104	27,246	248,914	117,087	1,856	354	405,561
Obligatory reserves	-	-	-	43,755	-	521	44,276
Financial assets at fair value through profit or loss	-	-	161	714	298	161	1,334
Amounts due from credit institutions	-	-	2,010	15,891	7,678	234	25,813
Available-for-sale investment securities	7,918	-	29,548	283,998	25,786	4,342	351,592
Other financial assets	-	-	-	-	-	9,155	9,155
Commitments and contingencies	-	-	-	-	-	182,602	182,602

* Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents.

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

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Group, and this classification is verified by the Risk Management function.

The Group is considering the following impairment indicators:
- Overdue for more than 90 days;
- Default rating calculated based on rating model described below;
- Restructuring because of deterioration of financial position of the borrower; and

The Group is using an internal rating model to classify loans in different risk categories.

After the occurrence of an impairment event, the model assists in estimating the allowance for loan loss based on a borrowers' financial performance, credit history, quality of accounts receivable, liquidity of the borrower, market risks relating to the borrower, industry of the borrower and other factors. Periodically the required information is inputted into the model by credit analysts. Information input into the system and the estimate of the allowance for loan loss is verified by the Risk management department.

The following classifications are used by the rating model:

- Rating score 1 - superior loan rating, minimal credit risk;
- Rating score 2 - very high quality of loan, very low credit risk;
- Rating score 3 - high quality of loan, low credit risk;
- Rating score 4 - satisfactory quality of loan, insignificant risk;
- Rating score 5 - credit risk can increase at economic variation;
- Rating score 6 - high risk at economic variation;
- Rating score 7 - high risk of default, paying capacity of the borrower depends on favourable economic circumstances;
- Rating score 8 – 10 – very high risk of default/default.

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Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Pools of homogeneous loans include assets that had been assessed collectively.

Rating score	**31 December 2015**	**31 December 2014**	**31 December 2013**
1	-	-	-
2	-	-	-
3	-	8,984	2,091
4	158,907	198,407	93,919
5	270,049	191,679	398,582
6	500,177	340,418	96,218
7	412,839	200,867	256,419
8-10	162,838	223,515	308,154
Loans to corporate customers that are individually assessed for impairment	1,504,810	1,163,870	1,155,383
Loans to SME customers and retail business that are individually assessed for impairment	127,503	98,674	172,118
Loans to customers that are collectively assessed for impairment	848,870	671,487	478,055
	2,481,183	1,934,031	1,805,556
Less – Allowance for loan impairment (Note 23)	(305,114)	(286,018)	(323,311)
Loans to customers	2,176,069	1,648,013	1,482,245

(Millions of Kazakhstani Tenge)

The following table details the carrying value of assets that are impaired and for those that are past due but not impaired:

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2015 Total
	Unimpaired financial assets that have been individually assessed for impairment		Impaired financial assets that have been individually assessed for impairment				
	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	
Amounts due from credit institutions	44,993	-	7	(7)	-	-	44,993
Available-for-sale investment securities	378,520	-	5,516	(5,516)	-	-	378,520
Loans to customers	1,161,326	(14,269)	470,987	(193,849)	848,870	(96,996)	2,176,069
Other financial assets	3,602	-	7,191	(4,567)	-	-	6,226

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2014 Total
	Unimpaired financial assets that have been individually assessed for impairment		Impaired financial assets that have been individually assessed for impairment				
	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	
Amounts due from credit institutions	27,095	-	-	-	-	-	27,095
Available-for-sale investment securities	386,423	-	1,858	(1,858)	-	-	386,423
Loans to customers	840,065	(9,235)	422,479	(197,942)	671,487	(78,841)	1,648,013
Other financial assets	6,611	-	6,179	(4,297)	-	-	8,493

(Millions of Kazakhstani Tenge)

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2013 Total
	Unimpaired financial assets that have been individually assessed for impairment		Impaired financial assets that have been individually assessed for impairment				
	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	
Amounts due from credit institutions	25,813	(5)	-	-	-	-	25,808
Available-for-sale investment securities	350,522	-	1,040	(1,040)	-	-	350,552
Loans to customers	776,471	(39,454)	551,030	(226,935)	478,055	(56,922)	1,482,245
Other financial assets	3,490	-	5,665	(5,176)	-	-	3,979

As at 31 December 2015 the carrying amount of unimpaired overdue loans was KZT 11,119 million (31 December 2014 – KZT 1,528 million; 31 December 2013 – KZT 1,118 million). Maturities of these overdue loans are not greater than 90 days.

(Millions of Kazakhstani Tenge)

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Group to provide funds for repayment of its obligations in a due time. The Group's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

Short-term liquidity needs are managed by the Group's Treasury function collecting daily customers' cash inflow/outflow forecasts. Long-term liquidity management is performed by ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Group analyzes the financial assets and liabilities, and obligatory reserves taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss which are included in the column "Less than 1 month" as they are available to meet the Group's short-term liquidity needs.

	31 December 2015					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,404,000	680	-	-	-	1,404,680
Obligatory reserves	36,373	2,864	20,677	4,522	3,953	68,389
Financial assets at fair value through profit or loss	8,271	8,058	86,331	74,410	-	177,070
Amounts due from credit institutions	6,735	49	21,413	8,364	8,432	44,993
Available-for-sale investment securities	1,786	3,197	42,015	156,592	174,930	378,520
Loans to customers	145,257	217,322	1,443,491	258,976	111,023	2,176,069
Other financial assets	3,666	1,375	1,159	3	23	6,226
	1,606,088	233,545	1,615,086	502,867	298,361	4,255,947
FINANCIAL LIABILITIES:						
Amounts due to customers	1,512,389	157,208	1,251,201	38,008	84,925	3,043,731
Amounts due to credit institutions	65,353	140	1,142	8,879	92,744	168,258
Financial liabilities at fair value through profit or loss	5,593	-	-	-	-	5,593
Debt securities issued	4,973	3,802	7,366	202,178	379,206	597,525
Other financial liabilities	10,671	315	1,551	183	11	12,731
	1,598,979	161,465	1,261,260	249,248	556,886	3,827,838
Net position	7,109	72,080	353,826	253,619	(258,525)	
Accumulated gap	7,109	79,189	433,015	686,634	428,109	

(Millions of Kazakhstani Tenge)

	31 December 2014					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	537,252	3,285	-	-	-	540,537
Obligatory reserves	26,799	3,353	12,141	3,320	2,612	48,225
Financial assets at fair value through profit or loss	7,951	-	2,064	5,712	-	15,727
Amounts due from credit institutions	2,734	8,279	1,773	14,309	-	27,095
Available-for-sale investment securities	6,007	2,878	52,498	196,413	128,627	386,423
Loans to customers	154,159	172,535	1,011,360	235,171	74,788	1,648,013
Other financial assets	7,909	389	142	15	38	8,493
	742,811	190,719	1,079,978	454,940	206,065	2,674,513
FINANCIAL LIABILITIES:						
Amounts due to customers	995,765	215,470	489,419	104,434	43,125	1,848,213
Amounts due to credit institutions	24,908	-	274	3,837	78,173	107,192
Financial liabilities at fair value through profit or loss	3,131	-	-	-	-	3,131
Debt securities issued	2,797	-	13,754	113,869	180,589	311,009
Other financial liabilities	9,310	237	729	74	3	10,353
	1,035,911	215,707	504,176	222,214	301,890	2,279,898
Net position	(293,100)	(24,988)	575,802	232,726	(95,825)	
Accumulated gap	(293,100)	(318,088)	257,714	490,440	394,615	

(Millions of Kazakhstani Tenge)

	31 December 2013					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	462,744	23,569	-	-	-	486,313
Obligatory reserves	25,666	3,095	11,145	2,360	2,010	44,276
Financial assets at fair value through profit or loss	1,334	-	-	-	-	1,334
Amounts due from credit institutions	2,784	1,539	5,183	16,297	5	25,808
Available-for-sale investment securities	11,292	20,090	31,346	221,720	66,104	350,552
Loans to customers	176,593	174,538	869,799	217,895	43,420	1,482,245
Other financial assets	3,499	217	64	140	59	3,979
	683,912	223,048	917,537	458,412	111,598	2,394,507
FINANCIAL LIABILITIES:						
Amounts due to customers	954,509	126,847	531,262	121,948	32,082	1,766,648
Amounts due to credit institutions	99,191	2,945	627	1,141	3,491	107,395
Financial liabilities at fair value through profit or loss	69	-	-	-	-	69
Debt securities issued	2,377	-	5,329	109,368	72,441	189,515
Other financial liabilities	6,571	307	1,232	138	-	8,248
	1,062,717	130,099	538,450	232,595	108,014	2,071,875
Net position	(378,805)	92,949	379,087	225,817	3,584	
Accumulated gap	(378,805)	(285,856)	93,231	319,048	322,632	

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. The Group possesses a right to unilaterally call back part of long-term loans provided to customers in ten months period after proper notification would be issued by the Group.

A significant portion of the Group's liabilities is represented by customer term deposits, current accounts of corporate and retail customers, and bonds.

Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore an essential part of current accounts is considered as stable resources for the purposes of liquidity analysis and management.

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

(Millions of Kazakhstani Tenge)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2015 Total
Amounts due to customers	1,513,423	157,975	1,289,364	40,141	131,846	3,132,749
Amounts due to credit institutions	65,908	158	1,213	9,815	121,931	199,025
Debt securities issued	11,135	8,739	42,555	353,676	436,265	852,370
Other financial liabilities	10,674	315	1,551	183	8	12,731
Guarantees issued	186,306	-	-	-	-	186,306
Commercial letters of credit	17,064	-	-	-	-	17,064
Commitments to extend credit	35,178	-	-	-	-	35,178
	1,839,688	167,187	1,334,683	403,815	690,050	4,435,423
Derivative financial assets	99,199	38,492	376,966	-	-	514,657
Derivative financial liabilities	97,336	33,218	113,943	100,439	-	344,936

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2014 Total
Amounts due to customers	998,589	222,913	511,807	222,648	63,160	2,019,117
Amounts due to credit institutions	24,935	1	370	4,274	101,587	131,167
Debt securities issued	2,797	72	37,659	197,358	209,846	447,732
Other financial liabilities	9,310	237	729	74	3	10,353
Guarantees issued	155,639	-	-	-	-	155,639
Commercial letters of credit	6,657	-	-	-	-	6,657
Commitments to extend credit	20,525	-	-	-	-	20,525
	1,218,452	223,223	550,565	424,354	374,596	2,791,190
Derivative financial assets	78,612	92,682	-	182,350	-	353,644
Derivative financial liabilities	75,310	-	94,906	174,466	-	344,682

(Millions of Kazakhstani Tenge)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2013 Total
Amounts due to customers	956,471	132,320	547,930	197,744	53,166	1,887,631
Amounts due to credit institutions	99,286	2,965	637	1,292	5,810	109,990
Debt securities issued	2,377	-	20,332	151,928	84,054	258,691
Other financial liabilities	6,571	307	1,232	138	-	8,248
Guarantees issued	156,699	-	-	-	-	156,699
Commercial letters of credit	12,093	-	-	-	-	12,093
Commitments to extend credit	13,810	-	-	-	-	13,810
	1,247,307	135,592	570,131	351,102	143,030	2,447,162
Derivative financial assets	68,517	-	1,212	-	-	69,729
Derivative financial liabilities	68,446	-	961	-	-	69,407

Market risk

Market risk is a risk that Group's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Group is exposed to market risks which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimize risk/return, minimize losses in case of adverse events and decrease deviation of factual financial results from the expected one.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review at least on an annual basis and should be monitored continuously.

Interest rate risk

The Group is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decrease, interest expense increase or negative impact on equity resulting from adverse changes of market interest rates.

(Millions of Kazakhstani Tenge)

The Group determines two types of interest rate risk:

- Interest rate risk related to securities portfolios changes in fair value of which are reflected through equity;
- Interest rate risk resulting from assets and liabilities maturity dates (dates of interest rates repricing) mismatch that are sensitive to the interest rates changes (risk of interest rates changes).

ALMC manages interest rate risks and market risks through the management of the Group's position on interest rates to reach positive interest margins. Budgeting and Controlling Department monitors current results of the Group's financial activity, estimates the Group's sensitivity in relation to interest rates changes and influence on the Group's profits.

The Group manages interest rates by determining the Group's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Group's exposure to the interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities by 200 basis points.

Sensitivity analysis of interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The impact on profit before tax is the effect of the assumed changes in interest rate on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2015, 2014 and 2013, and the effect of revaluing instruments with fixed rates accounted at fair value. The management of the Group believes income tax not to have substantial effect for the purpose of interest rate risk management.

Impact on income before tax based on asset values as at 31 December 2015, 2014 and 2013:

	31 December 2015		31 December 2014		31 December 2013	
	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
FINANCIAL ASSETS:						
Loans to customers	1,682	(1,682)	359	(359)		
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	-	-	10	(10)	45	(45)
Net impact on income before tax	1,682	(1,682)	349	(349)	291	(291)

The impact on equity is the effect of the assumed changes in interest rate due to changes in retained earnings and the effect of revaluation of available-for-sale investment securities with fixed rates.

(Millions of Kazakhstani Tenge)

Impact on equity:

	31 December 2015		31 December 2014		31 December 2013	
	Interest rate +2%	**Interest rate -2%**	**Interest rate +2%**	**Interest rate -2%**	**Interest rate +2%**	**Interest rate -2%**
FINANCIAL ASSETS:						
Loans to customers	1,682	(1,682)	359	(359)	336	(336)
Available-for-sale investment securities	(30,024)	30,024	(28,359)	28,359	(19,471)	19,471
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	-	-	10	(10)	45	(45)
Net impact on equity	(28,342)	28,342	(28,010)	28,010	(19,180)	19,180

Currency Risk

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Group.

ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations of national and foreign currencies.

The Treasury Department performs daily monitoring of the Group’s open currency position with the aim to comply with the requirements of the regulatory authority.

The Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position, results of operations and cash flows, which are monitored daily. ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority.

The Group’s principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Group’s USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the consolidated statement of financial position and off-balance sheet positions. Current Group's sensitivity to fluctuations in exchange rates is acceptable due to the fact that the off balance sheet items significantly neutralize the statement of financial position.

(Millions of Kazakhstani Tenge)

The Group's exposure to foreign currency exchange rate risk follows:

	31 December 2015						
	USD	**EURO**	**RUR**	**Other**	**TOTAL foreign currencies**	**KZT**	**TOTAL**
FINANCIAL ASSETS:							
Cash and cash equivalents	1,246,957	46,458	17,737	25,328	1,336,480	68,200	1,404,680
Obligatory reserves	52,945	1,149	233	970	55,297	13,092	68,389
Financial assets at fair value through profit or loss	1,000	-	-	-	1,000	176,070	177,070
Amounts due from credit institutions	14,829	-	-	-	14,829	30,164	44,993
Available-for-sale investment securities	211,261	1,784	904	654	214,603	163,917	378,520
Loans to customers	671,755	5,986	15,653	12,430	705,824	1,470,245	2,176,069
Other financial assets	44	48	56	195	343	5,883	6,226
	2,198,791	55,425	34,583	39,577	2,328,376	1,927,571	4,255,947
FINANCIAL LIABILITIES							
Amounts due to customers	2,247,718	54,362	6,085	12,511	2,320,676	723,055	3,043,731
Amounts due to credit institutions	22,732	545	1,952	1,332	26,561	141,697	168,258
Financial liabilities at fair value through profit or loss	-	2	-	-	2	5,591	5,593
Debt securities issued	364,241	-	-	-	364,241	233,284	597,525
Other financial liabilities	853	72	151	315	1,391	11,340	12,731
	2,635,544	54,981	8,188	14,158	2,712,871	1,114,967	3,827,838
Net position – on balance	(436,753)	444	26,395	25,419	(384,495)	812,604	428,109
Net position – off-balance	462,886	37	(14,441)	(21,338)	427,144	(252,186)	
Net position	26,133	481	11,954	4,081	42,649	560,418	

(Millions of Kazakhstani Tenge)

				31 December 2014			
	USD	**EURO**	**RUR**	**Other**	**TOTAL foreign currencies**	**KZT**	**TOTAL**
FINANCIAL ASSETS:							
Cash and cash equivalents	399,727	44,879	9,395	13,434	467,435	73,102	540,537
Obligatory reserves	29,053	980	333	356	30,722	17,503	48,225
Financial assets at fair value through profit or loss	578	-	-	86	664	15,063	15,727
Amounts due from credit institutions	2,490	-	-	-	2,490	24,605	27,095
Available-for-sale investment securities	190,531	1,057	1,059	1,617	194,264	192,159	386,423
Loans to customers	427,775	4,289	8,208	9,011	449,283	1,198,730	1,648,013
Other financial assets	1,399	26	76	63	1,564	6,929	8,493
	1,051,553	51,231	19,071	24,567	1,146,422	1,528,091	2,674,513
FINANCIAL LIABILITIES							
Amounts due to customers	1,139,993	52,080	3,135	7,976	1,203,184	645,029	1,848,213
Amounts due to credit institutions	11,672	290	802	399	13,163	94,029	107,192
Financial liabilities at fair value through profit or loss	-	-	-	-	-	3,131	3,131
Debt securities issued	195,266		-	-	195,266	115,743	311,009
Other financial liabilities	199	118	32	173	522	9,831	10,353
	1,347,130	52,488	3,969	8,548	1,412,135	867,763	2,279,898
Net position – on balance	(295,577)	(1,257)	15,102	16,019	(265,713)	660,328	394,615
Net position – off-balance	318,777	(346)	(9,171)	(13,591)	295,669	(295,669)	
Net position	23,200	(1,603)	5,931	2,428	29,956	364,659	

(Millions of Kazakhstani Tenge)

	31 December 2013						
	USD	EURO	RUR	Other	TOTAL foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	288,851	22,138	8,086	6,858	325,933	160,380	486,313
Obligatory reserves	19,496	582	136	368	20,582	23,694	44,276
Financial assets at fair value through profit or loss	478	-	-	50	528	806	1,334
Amounts due from credit institutions	2,515	-	-	-	2,515	23,293	25,808
Available-for-sale investment securities	173,354	-	1,826	979	176,159	174,393	350,552
Loans to customers	493,463	3,056	7,103	5,017	508,639	973,606	1,482,245
Other financial assets	247	47	82	32	408	3,571	3,979
	978,404	25,823	17,233	13,304	1,034,764	1,359,743	2,394,507
FINANCIAL LIABILITIES							
Amounts due to customers	734,129	25,063	3,653	19,099	781,944	984,704	1,766,648
Amounts due to credit institutions	28,152	474	3	158	28,787	78,608	107,395
Financial liabilities at fair value through profit or loss	-	-	-	-	-	69	69
Debt securities issued	162,055	-	3,276	-	165,331	24,184	189,515
Other financial liabilities	25	58	14	100	197	8,051	8,248
	924,361	25,595	6,946	19,357	976,259	1,095,616	2,071,875
Net position – on balance	54,043	228	10,287	(6,053)	58,505	264,127	322,632
Net position – off-balance	(41,824)	36	(7,989)	(5,267)	(55,044)	55,044	
Net position	12,219	264	2,298	(11,320)	3,461	319,171	

(Millions of Kazakhstani Tenge)

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Group had significant exposure at 31 December 2015, 2014 and 2013, and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate with all other variables held constant on the consolidated income statement. A negative amount in the table reflects a potential net reduction in consolidated income statement, while a positive amount reflects a net potential increase. Sensitivity of currency risk is assessed based on balance sheet and off-balance open currency positions. The management of the Group believes income tax not to have substantial effect for the purpose of currency risk management.

Impact on income before tax based on asset values as at 31 December 2015, 2014 and 2013, calculated using currency rate fluctuations analysis:

	31 December 2015		**31 December 2014**		**31 December 2013**	
	+25% KZT/USD	**-25% KZT/USD**	**+25% KZT/USD**	**-25% KZT/USD**	**+25% KZT/USD**	**-25% KZT/USD**
Impact on income before tax	6,533	(6,533)	5,800	(5,800)	3,055	(3,055)

	31 December 2015		**31 December 2014**		**31 December 2013**	
	+25% KZT/EURO	**-25% KZT/EURO**	**+25% KZT/EURO**	**-25% KZT/EURO**	**+25% KZT/EURO**	**-25% KZT/EURO**
Impact on income before tax	120	(120)	(401)	401	66	(66)

	31 December 2015		**31 December 2014**		**31 December 2013**	
	+25% KZT/RUR	**-25% KZT/RUR**	**+25% KZT/RUR**	**-25% KZT/RUR**	**+25% KZT/RUR**	**-25% KZT/RUR**
Impact on income before tax	2,989	(2,989)	1,483	(1,483)	575	(575)

Impact on equity:

	31 December 2015		**31 December 2014**		**31 December 2013**	
	+25% KZT/USD	**-25% KZT/USD**	**+25% KZT/USD**	**-25% KZT/USD**	**-25% KZT/USD**	**-25% KZT/USD**
Impact on equity	6,533	(6,533)	5,800	(5,800)	3,055	(3,055)

	31 December 2015		**31 December 2014**		**31 December 2013**	
	+25% KZT/EURO	**-25% KZT/EURO**	**+25% KZT/EURO**	**-25% KZT/EURO**	**-25% KZT/EURO**	**-25% KZT/EURO**
Impact on equity	120	(120)	(401)	401	66	(66)

	31 December 2015		**31 December 2014**		**31 December 2013**	
	+25% KZT/RUR	**-25% KZT/RUR**	**+25% KZT/RUR**	**-25% KZT/RUR**	**-25% KZT/RUR**	**-25% KZT/RUR**
Impact on equity	2,989	(2,989)	1,483	(1,483)	575	(575)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

To limit price risk the Group determines limits for maximum losses (stop-loss) on each security from trade portfolio to minimize potential losses of trade portfolio.

Price risk assessment is also made on the basis of VaR method through establishment of Expected Shortfall (ES) limits on the level of the expected losses, which the Bank is able to undertake within one day in situation when factual losses may exceed the level of VaR.

Calculation of VaR is based on the following parameters:

- Reporting period – 252 working days;
- Confidence interval – 95%;
- The method of measurement – historical simulation.

The Group estimates the price risk at 31 December 2015, 2014 and 2013, to be not material and therefore quantitative information is not disclosed.

36. CAPITAL RISK MANAGEMENT

The Group's capital management objectives, which is a broader concept than the "equity" on the face of consolidated statement of financial position, are as follows:

- To comply with the capital requirements set by the NBRK;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

(Millions of Kazakhstani Tenge)

The required level of capital is determined during the annual budgeting process taking into account the above objectives, and is approved by the Management Board and the Board of Directors. The capital adequacy of the Group is controlled according to the principles, methods and coefficients employed by Basel Committee. There have been no changes as to the way the Group measures capital.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and non-controlling interest less accrued dividends, net long position in own shares and goodwill. The other component of regulatory capital is Tier 2 capital, which includes subordinated long-term debt calculated based on remaining maturities and is limited to 50% of Tier 1 capital.

The risk-weighted assets are measured based on a hierarchy of five risk weighting according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2015, 2014 and 2013. During those three years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2015	31 December 2014	31 December 2013
Composition of regulatory capital			
Tier 1			
Share capital, net of treasury shares	40,520	64,701	66,161
Share premium	2,039	1,439	1,415
Retained earnings of prior periods	291,998	213,457	161,265
Net income for the current period	120,312	114,377	72,137
Accumulated reserves	73,353	74,043	74,068
Property and equipment and available-for-sale investment securities revaluation and translation reserves	1,707	7,204	16,200
Less: goodwill	(4,954)	(4,954)	(3,085)
Non-controlling interest	-	-	933
Total qualifying tier 1 capital	524,975	470,267	389,094
Tier 2			
Subordinated debt	5,508	7,760	12,557
Total qualifying tier 2 capital	5,508	7,760	12,557
Less: investments in associates	(65)	(30)	(24)
Total regulatory capital	530,418	477,997	401,627
Risk weighted assets	2,922,029	2,271,545	2,170,709
Tier 1 capital ratio	18.0%	20.7%	17.9%
Total capital adequacy ratio	18.2%	21.0%	18.5%

Basel standards set minimum capital adequacy ratio and tier 1 capital at 8% and 4%, respectively.

37. SEGMENT ANALYSIS

The Group is managed and reported on the basis of three main operating segments – corporate banking, small and medium enterprises banking and retail banking. These segments are strategic business units that offer different products and services and are managed separately.

Retail banking represents private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, cash and foreign currency related services to individuals.

Corporate banking represents bank services to corporate clients and financial organizations including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations and guarantees, trade finance products, interbank operations, as well as cash services and foreign exchange transactions.

SME banking represents bank services to SME clients including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations and guarantees, foreign exchange transactions and trade finance products.

Other represents capital market services.

Unallocated amounts are account balances and classes of transactions, which are not allocated to particular segment, not initiated by any business function and relate to the current activity of the Group. Unallocated assets include fixed assets, intangible assets, non-current assets held for sale, cash on hand and other unallocated assets. Unallocated liabilities include deferred tax liabilities and other unallocated liabilities. Unallocated income includes other income from main and nonoperating activities and insurance income. Unallocated expenses include provision on account receivables, operating overhead expenses, insurance expenses and income tax.

The segment information below is based on financial information used for performance evaluation by the Bank's Chairperson of the Management Board, the Group's chief operating decision maker, in accordance with IFRS 8. The Group's Management reviews discrete financial information for each segment, including evaluation of operating results, assets and liabilities.

There were no transactions between business segments during the years ended 31 December 2015, 2014 and 2013.

(Millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 31 December 2015, 2014 and 2013 and for the years then ended, is set out below:

	Retail banking	Corporate banking	SME banking	Other	Unallocated	Total
As at 31 December 2015 and for the year then ended						
External revenues	628,806	(131,817)	94,996	(60,757)	3,871	535,099
Total revenues	628,806	(131,817)	94,996	(60,757)	3,871	535,099
Total revenues comprise:						
- Interest income	94,560	112,057	27,054	21,185	-	254,856
- Fee and commission income	39,187	5,324	7,874	784	139	53,308
- Net gain/(loss)from financial assets and liabilities at fair value through profit or loss	495,059	(249,198)	60,068	(82,726)	(30,879)	192,324
- Insurance underwriting income and other income	-	-	-	-	34,611	34,611
Total revenues	628,806	(131,817)	94,996	(60,757)	3,871	535,099
- Interest expense	(40,515)	(60,800)	(3,237)	-	-	(104,552)
- Impairment charge	(11,553)	12,105	(11,244)	(1,311)	(114)	(12,117)
- Fee and commission expense	(9,659)	(301)	(183)	(35)	(659)	(10,837)
- Operating expenses	(40,465)	(5,417)	(7,080)	(4,287)	(13,556)	(70,805)
- Net realized loss from available-for-sale investment securities	-	-	-	(252)	-	(252)
- Net foreign exchange (loss)/gain	(485,238)	273,959	(56,820)	76,518	30,559	(161,022)
- Provisions	-	(319)	(34)	9	(15)	(359)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(22,793)	(22,793)
Segment result	41,376	87,410	16,398	9,885	(2,707)	152,362
Income before income tax expense						152,362
Income tax expense					(32,050)	(32,050)
Net income						120,312
Total segment assets	540,639	2,952,768	256,885	382,973	321,673	4,454,938
Total segment liabilities	1,468,313	2,082,308	259,757	230	114,402	3,925,010
Other segment items:						
Capital expenditures					(17,131)	(17,131)
Depreciation and amortization					(6,323)	(6,323)

(Millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Other	Unallocated	Total
As at 31 December 2014 and for the year then ended						
External revenues	107,416	115,940	30,341	34,467	26,075	314,239
Total revenues	107,416	115,940	30,341	34,467	26,075	314,239
Total revenues comprise:						
- Interest income	71,136	97,429	21,982	20,046	-	210,593
- Fee and commission income	32,564	5,408	6,205	14,421	40	58,638
- Net gain from financial assets and liabilities at fair value through profit or loss	-	7,842	-	-	-	7,842
- Net gain on foreign exchange operations	3,716	1,533	1,837	-	-	7,086
- Insurance underwriting income and other income	-	-	-	-	26,044	26,044
- Recoveries of other provisions/(other provisions)	-	3,728	317	-	(9)	4,036
Total revenues	107,416	115,940	30,341	34,467	26,075	314,239
- Interest expense	(42,278)	(32,693)	(2,487)	-	-	(77,458)
- Impairment charge	(1,905)	(6,013)	1,111	-	(580)	(7,387)
- Fee and commission expense	(7,600)	(162)	(190)	(536)	(71)	(8,559)
- Net realized loss from available-for-sale investment securities	-	-	-	(230)	-	(230)
- Operating expenses	(31,544)	(5,182)	(7,139)	(778)	(17,869)	(62,512)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(16,195)	(16,195)
Segment result	24,089	71,890	21,636	32,923	(8,640)	141,898
Income before income tax expense						141,898
Income tax expense					(27,521)	(27,521)
Net income						114,377
Total segment assets	441,336	1,508,888	215,783	391,306	252,469	2,809,782
Total segment liabilities	932,673	1,099,850	256,156	3,484	42,398	2,334,561
Other segment items:						
Capital expenditures	-	-	-	-	(13,628)	(13,628)
Depreciation and amortization	-	-	-	-	(5,023)	(5,023)

(Millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Other	Unallocated	Total
As at 31 December 2013 and for the year then ended						
External revenues	90,709	96,031	26,055	32,765	21,216	266,776
Total revenues	90,709	96,031	26,055	32,765	21,216	266,776
Total revenues comprise:						
- Interest income	59,862	86,241	17,918	18,542	-	182,563
- Fee and commission income	28,444	5,429	5,426	12,078	29	51,406
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	-	261	-	261
- Net realized gain from available-for-sale investment securities	-	-	-	1,884	-	1,884
- Net gain on foreign exchange operations	2,717	3,833	2,711	-	-	9,261
- Insurance underwriting income and other income	-	-	-	-	21,191	21,191
- (Other provisions)/recoveries of other provisions	(314)	528	-	-	(4)	210
Total revenues	90,709	96,031	26,055	32,765	21,216	266,776
- Interest expense	(40,444)	(33,372)	(2,116)	-	-	(75,932)
- Impairment charge	(2,557)	(16,652)	(3,746)	(80)	(2,986)	(26,021)
- Fee and commission expense	(5,576)	(466)	(197)	(884)	(16)	(7,139)
- Operating expenses	(27,845)	(5,087)	(6,220)	(489)	(15,179)	(54,820)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(13,933)	(13,933)
Segment result	14,287	40,454	13,776	31,312	(10,898)	88,931
Income before income tax expense						88,931
Income tax expense					(16,522)	(16,522)
Net income						72,409
Total segment assets	356,555	1,430,688	187,838	351,551	179,782	2,506,414
Total segment liabilities	803,122	968,238	274,878	-	67,997	2,114,235
Other segment items:						
Capital expenditures	-	-	-	-	(6,269)	(6,269)
Depreciation and amortization	-	-	-	-	(5,747)	(5,747)

(Millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Group is set out below as at 31 December 2015, 2014 and 2013, and for the years then ended.

	Kazakhstan	OECD	Non-OECD	Total
2015				
Total assets	4,101,191	262,578	91,169	4,454,938
External revenues	526,779	1,846	6,474	535,099
Capital expenditure	(17,131)	-	-	(17,131)
2014				
Total assets	2,547,344	185,108	77,330	2,809,782
External revenues	304,840	3,089	6,310	314,239
Capital expenditure	(13,628)	-	-	(13,628)
2013				
Total assets	2,071,205	333,259	101,950	2,506,414
External revenues	256,673	2,995	7,108	266,776
Capital expenditure	(6,269)	-	-	(6,269)

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

38. FAIR VALUES OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on its consolidated statement of financial position as well as its profit/(loss) could be material.

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The tables below summarises the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2015, 2014 and 2013, before any allowances for impairment losses:

Financial Assets/Liabilities	Fair value at 31 December 2015	Fair value at 31 December 2014	Fair value at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Non-derivative financial assets at fair value through profit or loss (Note 9)	1,757	3,633	943	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss excluding options (Note 9)	1,509	4,318	140	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss excluding options (Note 9)	173,804	7,776	-	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to zero at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Derivative financial assets at fair value through profit or loss - options (Note 9)	-	-	251	Level 2	Binominal model with primary data based on average price without using maximum and minimum values from KASE.	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss excluding options (Note 9)	5,593	3,131	69	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Non-derivative available-for-sale investment securities (Note 11)	378,174	384,327	348,498	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities included in bonds of foreign organizations (Note 11)	248	172	931	Level 2	Discounted cash flows. Future cash flows discounted using LIBOR adjusted for credit risk of the issuer obtained from available sources	Not applicable	Not applicable
Non-derivative available-for-sale investment securities – unquoted equity securities (Note 11)	98	1,924	1,123	Level 3	Valuation model based on internal rating model	Percentage discount	The greater discount - the smaller fair value

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There were no transfers between Level 1 and 2 during the years ended 31 December 2015, 2014 and 2013.

	Financial assets at fair value through profit or loss (Level 3)	**Available-for-sale investment securities Unquoted equity securities (Level 3)**
31 December 2012	3	1,242
Total gains or losses		
- to profit or loss	(3)	(27)
- in other comprehensive income	-	(14)
Redemption/sale	-	(78)
31 December 2013	-	1,123
Total gains or losses		
- additions	7,597	-
- to profit or loss	179	813
- in other comprehensive income	-	-
Redemption/sale	-	(12)
31 December 2014	7,776	1,924
Total gains or losses		
- additions	19,281	-
- to profit or loss	146,747	(1,268)
- in other comprehensive income	-	(27)
Redemption/sale	-	(531)
31 December 2015	173,804	98

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

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

Amounts due to and from credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Loans to customers

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

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

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Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 December 2015		31 December 2014		31 December 2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets						
Amounts due from credit institutions	44,993	45,058	27,095	27,296	25,808	27,757
Loans to customers	2,176,069	2,106,902	1,648,013	1,742,664	1,482,245	1,582,638
Financial liabilities						
Amounts due to customers	3,043,731	3,197,750	1,848,213	1,850,824	1,766,648	1,763,968
Amounts due to credit institutions	168,258	193,863	107,192	111,426	107,395	106,350
Debt securities issued	597,525	611,607	311,009	323,244	189,515	212,827

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Amounts due from credit institutions	-	45,058	-	45,058
Loans to customers	-	-	2,106,902	2,106,902
Financial liabilities				
Amounts due to customers	-	3,197,750	-	3,197,750
Amounts due to credit institutions	-	193,863	-	193,863
Debt securities issued	611,607	-	-	611,607

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Amounts due from credit institutions	-	27,296	-	27,296
Loans to customers	-	-	1,742,664	1,742,664
Financial liabilities				
Amounts due to customers	-	1,850,824	-	1,850,824
Amounts due to credit institutions	-	111,426	-	111,426
Debt securities issued	323,244	-	-	323,244

	31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Amounts due from credit institutions	-	27,757	-	27,757
Loans to customers	-	-	1,582,638	1,582,638
Financial liabilities				
Amounts due to customers	-	1,763,968	-	1,763,968
Amounts due to credit institutions	-	106,350	-	106,350
Debt securities issued	212,827	-	-	212,827

(Millions of Kazakhstani Tenge)

The carrying amounts of cash and cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

39. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties.

The Group had the following transactions outstanding as at 31 December 2015, 2014 and 2013, with related parties:

	31 December 2015		31 December 2014		31 December 2013	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for impairment losses	3,537	2,481,183	4,597	1,934,031	6,852	1,805,556
- the parent	8		-		-	
- entities with joint control or significant influence over the entity	3,426		4,597		5,948	
- key management personnel of the entity or its parent	90		-		-	
- other related parties	13		-		904	
Allowance for impairment losses	(47)	(305,114)	(15)	(286,018)	(216)	(323,311)
- the parent	(1)		-		-	
- entities with joint control or significant influence over the entity	(46)		(15)		(202)	
- key management personnel of the entity or its parent	-		-		(14)	
Amounts due to customers	181,164	3,043,731	105,405	1,848,213	101,562	1,766,648
- the parent	116,204		73,757		60,184	
- entities with joint control or significant influence over the entity	12,525		8,086		33,546	
- associates	-		-		27	
- key management personnel of the entity or its parent	9,818		5,903		2,602	
- other related parties	42,617		17,659		5,203	

(Millions of Kazakhstani Tenge)

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

	Year ended 31 December 2015		Year ended 31 December 2014		Year ended 31 December 2013	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	444	254,856	547	210,593	829	182,563
- entities with joint control or significant influence over the entity	431		547		749	
- key management personnel of the entity or its parent	11		-		-	
- other related parties	2		-		80	
Interest expense	(3,196)	(104,552)	(3,541)	(77,458)	(1,973)	(75,932)
- the parent	(2,499)		(3,073)		(1,792)	
- entities with joint control or significant influence over the entity	(6)		-		-	
- key management personnel of the entity or its parent	(265)		(250)		(111)	
- other related parties	(426)		(218)		(70)	

	Year ended 31 December 2015		Year ended 31 December 2014		Year ended 31 December 2013	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	1,433	40,886	1,333	35,767	835	30,899
- Salaries and other employee benefits	1,433		1,333		835	

40. SUBSEQUENT EVENTS

On 25 January 2016, the NBRK registered the second issue of KZT 130,000 million 10 year 7.5% per annum coupon rate bonds within the Bank's fourth bond program with a nominal value of KZT 10,000 per one bond.

On 8 February 2016, the NBRK registered the fifth bond program for KZT 300,000 million KZT. The bond program is included in the State Register of Issue-Grade securities under number F24.