JOINT STOCK COMPANY BANK CENTERCREDIT

Consolidated Financial Statements and Independent Auditors' Report
For the year ended 31 December 2015

TABLE OF CONTENTS

JOINT STOCK COMPANY BANK CENTERCREDIT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorized for issue on 24 March 2016 by the Management Board.

On behalf of the Management Board:

Lee V.S.	**Yang Jinhwan**	**Nurgaliyeva A.T.**
Chairman	**Managing Director**	**Chief Accountant**
24 March 2016	24 March 2016	24 March 2016
Almaty	Almaty	Almaty

Deloitte.

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

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Joint Stock Company Bank CenterCredit:

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Roman Sattarov
Engagement Partner
Qualified auditor
Qualification certificate
No. MF-0000149
dated 31 May 2013

Deloitte, LLP

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

Nurlan Bekenov
General Director
Deloitte LLP

24 March 2016
Almaty

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015
(in Kazakhstani tenge and in millions, except for earnings/(loss) per share which is in tenge)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014*
CONTINUING OPERATIONS			
Interest income	4, 28	97,604	90,606
Interest expense	4, 28	(52,518)	(45,670)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	4	45,086	44,936
Provision for impairment losses on interest bearing assets	5	(30,314)	(42,140)
NET INTEREST INCOME		14,772	2,796
Net gain on financial assets and liabilities at fair value through profit or loss	6	77,645	126
Net realized (loss)/gain on investments available-for-sale		(167)	60
Net (loss)/gain on foreign exchange operations	7	(77,275)	6,045
Fee and commission income	8	20,821	21,778
Fee and commission expense	8	(2,174)	(1,815)
Recovery of impairment losses on other transactions	5	2,065	47
Other income		278	134
NET NON-INTEREST INCOME		21,193	26,375
OPERATING INCOME		35,965	29,171
OPERATING EXPENSES	9, 28	(28,090)	(24,835)
OPERATING PROFIT BEFORE INCOME TAX		7,875	4,336
Income tax expense	10	(1,834)	(1,777)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		6,041	2,559
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	11	(4,100)	(1,592)
NET PROFIT		1,941	967
Attributable to:			
Owners of the parent		1,916	980
Non-controlling interest		25	(13)
		1,941	967
EARNINGS/(LOSS) PER SHARE			
From continuing operations			
Basic (KZT)	12	29.89	12.69
Diluted (KZT)	12	29.90	12.77
From discontinued operations			
Basic (KZT)	12	(25.32)	(9.81)

* Amounts for prior period presented in the consolidated statement of profit or loss were re-presented to classify separately continuing operations and discontinued operations (Note 11).

On behalf of the Management Board:

Lee V.S. **Chairman**	**Yang Jinhwan** **Managing Director**	**Nurgaliyeva A.T.** **Chief Accountant**
24 March 2016 Almaty	24 March 2016 Almaty	24 March 2016 Almaty

The notes on pages 11-102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015
(in Kazakhstani tenge and in millions)

	Year ended 31 December 2015	Year ended 31 December 2014
Net profit	1,941	967
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations (net of tax – KZT nil)	402	(327)
Net loss resulting on revaluation of investments available-for-sale during the year (net of tax – KZT nil)	(1,671)	(920)
Reclassification adjustment relating to investments available for sale disposed of in the year (net of tax – KZT nil)	167	(60)
Other comprehensive loss for the year, net of income tax	(1,102)	(1,307)
TOTAL COMPREHENSIVE INCOME/(LOSS)	839	(340)
Attributable to:		
Owners of the parent	814	(327)
Non-controlling interest	25	(13)
TOTAL COMPREHENSIVE INCOME/(LOSS)	839	(340)

On behalf of the Management Board:

Lee V.S.	**Yang Jinhwan**	**Nurgaliyeva A.T.**
Chairman	**Managing Director**	**Chief Accountant**
24 March 2016	24 March 2016	24 March 2016
Almaty	Almaty	Almaty

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015
(in Kazakhstani tenge and in millions)

	Notes	31 December 2015	31 December 2014
ASSETS:			
Cash and cash equivalents	13, 28	242,123	112,628
Obligatory reserves	13	15,951	17,321
Financial assets at fair value through profit or loss	14	103,750	24,297
Investments available-for-sale	15	96,680	53,576
Investments held to maturity	16	6,610	9,644
Due from banks	17	10,173	8,348
Loans to customers and banks	18, 28	891,980	829,402
Current income tax assets		148	1,181
Other assets	19	29,048	17,738
Property, equipment and intangible assets	20	33,370	32,160
		1,429,833	1,106,295
Assets classified as held for sale	11	12,578	-
TOTAL ASSETS		1,442,411	1,106,295
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and financial institutions	21, 28	181,548	117,880
Customer and bank accounts	22, 28	1,060,078	808,296
Debt securities issued	23	26,595	30,862
Deferred income tax liabilities	10	768	236
Other liabilities	24	17,324	9,530
Subordinated bonds	25	62,181	54,012
		1,348,494	1,020,816
Liabilities directly associated with assets classified as held for sale	11	7,737	-
Total liabilities		1,356,231	1,020,816
EQUITY:			
Equity attributable to owners of the parent:			
Share capital	26	69,741	69,791
Investments available-for-sale fair value reserve		(2,742)	(1,238)
Foreign currency translation reserve		(250)	(652)
Retained earnings		19,078	17,162
Total equity attributable to owners of the parent		85,827	85,063
Non-controlling interest		353	416
Total equity		86,180	85,479
TOTAL LIABILITIES AND EQUITY		1,442,411	1,106,295
Book value per ordinary share (KZT)	12	444	444
Book value per preference share (KZT)	12	300	300

On behalf of the Management Board:

Lee V.S.
Chairman

24 March 2016
Almaty

Yang Jishwan
Managing Director

24 March 2016
Almaty

Nurgaliyeva A.T.
Chief Accountant

24 March 2016
Almaty

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JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(in Kazakhstani tenge and in millions)

	Share capital	Investments available-for-sale fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
31 December 2013	69,826	(258)	(325)	16,077	85,320	1,550	86,870
Net profit/(loss)	-	-	-	980	980	(13)	967
Other comprehensive loss for the year, net of income tax	-	(980)	(327)	-	(1,307)	-	(1,307)
Treasury shares purchased, net (Note 26)	(35)	-	-	-	(35)	-	(35)
Dividends of subsidiaries	-	-	-	-	-	(351)	(351)
Gain from buy back of shares of JSC APF Capital	-	-	-	105	105	-	105
Decrease in non-controlling interest due to buy-back of shares of JSC APF Capital	-	-	-	-	-	(770)	(770)
31 December 2014	69,791	(1,238)	(652)	17,162	85,063	416	85,479
Net profit	-	-	-	1,916	1,916	25	1,941
Other comprehensive (loss)/profit for the year, net of income tax	-	(1,504)	402	-	(1,102)	-	(1,102)
Treasury shares purchased, net (Note 26)	(50)	-	-	-	(50)	-	(50)
Buy-back of shares of JSC BCC Invest	-	-	-	-	-	(88)	(88)
31 December 2015	69,741	(2,742)	(250)	19,078	85,827	353	86,180

On behalf of the Management Board:

Lee V.S.
Chairman

24 March 2016
Almaty

Yang Jinhwan
Managing Director

24 March 2016
Almaty

Nurgaliyeva A.T.
Chief Accountant

24 March 2016
Almaty

The notes on pages 11-102 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(in Kazakhstani tenge and in millions)

	Year ended 31 December 2015	Year ended 31 December 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	91,233	91,712
Interest paid	(51,393)	(49,230)
Fee and commission received	21,456	22,470
Fee and commission paid	(2,111)	(1,901)
Other income received	980	204
Operating expenses paid	(31,268)	(25,229)
Cash inflow from operating activities before changes in operating assets and liabilities	28,897	38,026
Changes in operating assets and liabilities:		
Obligatory reserves	1,370	(676)
Financial assets at fair value through profit or loss	(1,211)	2,556
Due from banks	(1,821)	(4,383)
Loans to customers and banks	(293,164)	(94,414)
Other assets	(6,383)	(2,930)
Due to banks and financial institutions	64,123	26,770
Customer and bank accounts	250,271	4,867
Other liabilities	8,525	2,157
Cash inflow/(outflow) from operating activities before taxation	50,607	(28,027)
Income tax paid	(269)	(178)
Net cash inflow/(outflow) from operating activities	50,338	(28,205)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds on sale of investments available-for-sale	20,970	22,806
Purchase of investments available-for-sale	(42,646)	(23,206)
Proceeds on maturity of investments held to maturity	7,184	5,282
Purchase of investments held to maturity	(1,898)	-
Purchase of property, equipment and intangible assets	(3,109)	(1,928)
Proceeds on sale of property and equipment	787	119
Net cash (outflow)/inflow from investing activities	(18,712)	3,073

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015
(in Kazakhstani tenge and in millions)

	Year ended 31 December 2015	Year ended 31 December 2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury shares (Note 26)	(50)	(35)
Dividends of subsidiaries	-	(351)
Buy-back of non-controlling interest's shares	(88)	(722)
Repayment of debt securities issued	(6,500)	(41,953)
Repayment of subordinated bonds	(7,000)	-
Proceeds from debt securities issued	11	25,000
Proceeds from subordinated bonds issued	16,246	910
Net cash inflow/(outflow) from financing activities	2,619	(17,151)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents	95,250	13,400
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	129,495	(28,883)
CASH AND CASH EQUIVALENTS, beginning of the year (Note 13)	112,628	141,511
CASH AND CASH EQUIVALENTS, end of the year (Note 13)	242,123	112,628

On behalf of the Management Board:

Lee V.S.
Chairman

24 March 2016
Almaty

Yang Jinhwan
Managing Director

24 March 2016
Almaty

Nurgaliyeva A.T.
Chief Accountant

24 March 2016
Almaty

The notes on pages 11-102 form an integral part of these consolidated financial statements.

1. ORGANIZATION

JSC Bank CenterCredit ("the Bank") is a Joint Stock Company ("JSC"), which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the legislation of the Republic of Kazakhstan. The Bank is regulated by the National Bank of the Republic of Kazakhstan ("the NBRK"). The Bank conducts its business under license number 248, renewed on 13 December 2007. On 27 August 2008, Kookmin Bank (South Korea) purchased 23% of the Bank's issued ordinary share capital. As at 31 December 2015, Kookmin Bank's share was 41.93% and the International Financial Corporation's ("IFC") share was 10% of the issued capital of the Bank.

The Bank's primary business consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, loan origination activities and guarantees.

The Bank is a member of the Kazakhstan Deposit Insurance Fund ("the KDIF").

The registered address is: 38, Al Farabi Ave., Almaty, the Republic of Kazakhstan.

As at 31 December 2015 and 2014, the Bank had 19 and 20 branches in the Republic of Kazakhstan, respectively.

The Bank is a parent company of a banking group ("the Group") which consists of the following subsidiaries consolidated in its consolidated financial statements:

Name	Country of operation	31 December 2015	31 December 2014	Type of operations
LLP Center Leasing	Republic of Kazakhstan	90.75%	90.75%	Finance lease
JSC BCC Invest	Republic of Kazakhstan	95.19%	95.19%	Brokerage and dealer activity
LLC Bank BCC-Moscow	Russian Federation	100%	100%	Banking services
LLP BCC-SAOO	Republic of Kazakhstan	100%	100%	Management of distressed assets

In September 2002, LLP Center Leasing was established as a limited liability partnership in accordance with the legislation of the Republic of Kazakhstan. The main activity of LLP Center Leasing is leasing operations.

In May 1998, JSC BCC Invest was established as a limited liability partnership (previously named "LLP KIB ASSET MANAGEMENT") in accordance with legislation of the Republic of Kazakhstan. On 26 September 2006, LLP KIB ASSET MANAGEMENT was registered as a joint stock company. The main activity of JSC BCC Invest consists of management of assets of mutual funds and management of investment portfolios.

In August 2006, the Bank received permission from Financial Market Supervision Committee ("the FMSC") for establishment of its subsidiary LLC Bank BCC-Moscow. On 21 March 2008, LLC Bank BCC-Moscow received its license from the Central Bank of Russian Federation. The main activity of LLC Bank BCC-Moscow consists of banking services.

In December 2015 the Management Board and Board of Directors of the Bank made the decision to dispose of the 100% investment in LLC Bank BCC-Moscow. As a result of this decision the Group classified it in Financial statements for the period ended 31 December 2015 as held for sale in accordance with IFRS 5.

In December 2011, Kazakhstan adopted the Law of the Republic of Kazakhstan on the Introduction of Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan regarding the Regulation of Banking Activities and Financial Institutions with Respect to Risk Mitigation, which stipulated that commercial banks create special subsidiaries to purchase banks' non-working (distressed) assets and manage them. On 21 August 2013, the Bank's special subsidiary for the management of distressed assets – LLP BCC-SAOO was registered by the Ministry of Justice of the Republic of Kazakhstan.

As at 31 December 2015 and 2014 the following ultimate beneficial shareholders owned individually more than 5% of the issued shares of the Group:

	31 December 2015 %	31 December 2014 %
Kookmin Bank	41.93	41.93
Baiseitov B.R.	25.60	25.60
IFC	10.00	10.00
Other (individually hold less than 5%)	22.47	22.47
Total	100.00	100.00

The consolidated financial statements were authorized for issue by the Management Board on 24 March 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Other basis of presentation criteria

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 millions"), unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, 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 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.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the parent of the Group is the Kazakhstani tenge ("KZT"). The presentational currency of the consolidated financial statements of the Group is the KZT. All values are rounded to the nearest million tenge, except when otherwise indicated.

The Group maintains its accounting records in accordance with the accounting policies authorized by the Resolution of the Board of Directors of the Group.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 33.

The principal accounting policies are set out below.

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 interest. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

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

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

Non-controlling interest

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

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

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 interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard ("IAS") 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Recognition of interest income and expense

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

Interest earned on assets at fair value is classified within interest income.

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on the sale of the above instruments is recognized as interest income or expense in the statement of profit or loss based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in 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. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in profit or loss when the syndication has been completed. All other commissions are recognized when services are provided.

Financial instruments

The Group recognizes financial assets and liabilities in 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. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' ("HTM") investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified 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 other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset 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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'other income/(expense)' and 'interest income' line item, respectively, in the consolidated statement of profit or loss. Fair value is determined in the manner described in Note 31.

Investments held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Investments available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) held to maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the Group management considers that fair value can be reliably measured). Fair value is determined in the manner described in Note 31. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

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

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including balances with the National Bank of Kazakhstan, due from banks, loans to customers and other financial assets) are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Securities repurchase and reverse repurchase agreements and securities lending transactions

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

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

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit collateralized by securities and other assets and are classified within due from banks and/or loans to customers.

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.

The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments;
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments 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.

Individual assessment of impairment of loans to customers

Individual assessment of impairment losses is calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This process normally encompasses management's best estimate, such as operating cash flow of the borrower and net realizable value of any collateral held and the timing of anticipated receipts. The impairment allowances on individually significant loans are reviewed at least quarterly and more regularly if circumstances required.

Those loans with outstanding amount of debt exceeding certain amount are considered to be individually significant loans. All individually significant loans are assessed for the indicators of impairment, such as overdue of more than 90 days, worsening of credit rating of the borrower, prolongations, restructuring and debt forgiveness related to deterioration of financial condition of the borrower.

If the borrower has any of the four indicators of impairment on any of its loans exceeding threshold, the borrower belongs to the group of individually significant loans. These borrowers are analysed and assessed for impairment on an individual basis.

Collective assessment of impairment of loans to customers

The methodology based on historical loss experience is used to estimate inherent incurred loss on groups of assets for collective evaluation of impairment. Such methodology incorporates factors such as type of product and borrowers, credit rating, portfolio size, loss emergence period, recovery period and applies probability of default on each assets (or pool of assets) and loss given default by type of collateral. Also, consistent assumptions are applied to form a formula-based model in estimating inherent loss and to determine factors on the basis of historical loss experience and current condition. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If the borrower has no impairment indicators on any of its loans then it is included in the category of non-impaired loans which are not individually significant and assessed on a collective basis. Collective assessment of impairment in respect of group of loans with similar characteristics is performed using roll rate analysis.

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 any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met 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.

Write-off of loans and advances

Loans and advances are written off against the allowance for impairment losses based on the decision of the Group's authorized body, after the Group has exercised all possible measures for recovery of the overdue debt, and the possibility of recovery of these amounts is low or does not exist. Subsequently, if in the assessment of the authorized body, a loan previously written off is deemed recoverable, the amounts previously written off are recorded in loans to customers and banks and the related allowance for impairment loss accounts.

Derecognition of financial assets

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

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent and term deposits with the National Bank of Kazakhstan with original maturity of less or equal to 90 days and amounts due from credit institutions with original maturity of less or equal to 90 days and are free from contractual encumbrances.

Obligatory reserves

Obligatory reserves represent mandatory reserve deposits with the National Bank of the Republic of Kazakhstan and Central Bank of the Russian Federation 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 purposes of the consolidated statement of cash flows.

Due from banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified 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 liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The 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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'interest expenses' line item in the statement of profit or loss. Fair value is determined in the manner described in Note 31.

Other financial liabilities

Other financial liabilities (including depository instruments with the National Bank of Republic Kazakhstan, deposits by banks and customers, repurchase agreements, debt securities issued, other borrowed funds, subordinated debt and other financial liabilities) are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. 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 derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Derivative financial instruments

Swaps

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. 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.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at historical cost net of accumulated depreciation and recognized impairment loss. Depreciation is calculated on a straight line basis over the useful life of the assets, which varies from 10 to 40 years.

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.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any recognized impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Buildings and other real estate	1.25-2.50%
Furniture and computer equipment	7.00-20.00%
Intangible assets	12.00-60.00%

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets other than goodwill

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group management reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the Group management has determined that the 'sale' presumption set out in the amendments to IAS 12 Income Taxes is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share capital

Share capital is recognized at historical cost.

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

Treasury shares repurchased from shareholders are recognized at cost of acquisition. When such repurchased treasury shares are further sold, any difference between their selling price and the cost of acquisition is charged to share capital (if positive) or to retained earnings (if negative). Where repurchased treasury shares are retired, the carrying value thereof is reduced by the amount paid by the Group at repurchase thereof, with the share capital respectively reduced by the par value of such retired shares restated, where applicable, for inflation, and the resulting difference is charged to retained earnings.

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

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.

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's 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. Revenue for provision of trustee services is recognized as services are provided.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into KZT using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Bank are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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

	31 December 2015	31 December 2014
Tenge/1 Euro	371.46	221.59
Tenge/1 US Dollar	340.01	182.35

Collateral

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

Equity reserves

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

- 'Available-for-sale' reserve which comprises changes in fair value of available-for-sale financial assets;
- 'Foreign currency translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging;
- 'Property revaluation reserve' which comprises revaluation reserve of land and building;
- 'Other capital reserve' which includes the portions of compound financial liabilities those qualify for treatment as equity.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- its assets are 10% or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the Group's revenue is included in reportable segments.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

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

Investments held to maturity

The Group management has reviewed the Group's held to maturity financial assets in the light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intention and ability to hold those assets to maturity. Details of these assets are set out in Note 16.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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

As at 31 December 2015 and 2014 the gross loans to customers totaled 891,980 KZT million and KZT 829,402 million, respectively, and allowance for impairment losses amounted to 151,326 KZT million and KZT 148,995 million, respectively.

Valuation of financial instruments

As described in Note 31, 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 31 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Recoverability of deferred tax assets

The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than not that the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to KZT nil as at 31 December 2015 and 2014, respectively.

3. APPLICATION OF NEW AND REVISED IFRS

In the current year, the following new and revised Standards and Interpretations have been adopted.

Amendments to IFRSs affecting amounts reported in the consolidated financial statements. 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.

Annual Improvements to IFRSs 2010-2012 Cycle. The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

These amendments do not have a significant effect on the consolidated financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle.

The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

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 14 *Regulatory Deferral Accounts.* IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 will not have any impact on the Group's consolidated financial statements in the future as the Group is not an IFRS first-time adopter.

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.

Amendments to IFRS 11 – ***Accounting for Acquisitions of Interests in Joint Operations.*** The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. 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 IAS 1 – Disclosure initiative project

The amendments clarify the principles of disclosing information. The definition of materiality is expanded. It specifies the requirements of aggregation and disaggregation of data, clarifies that materiality applies to all parts of financial statements and even in those cases when the standards require specific disclosures materiality criteria do apply. The standard also provides more guidance on presenting the information in the statement of financial position and statement of comprehensive income as well as on the order of the notes in the financial statements.

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

Amendments to IAS 27 – ***Equity Method in Separate Financial Statements.*** The amendments to IAS 27 allows entities to apply the equity method as one of the options for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are effective from 1 January 2016 with earlier application permitted. The management of the Group does not expect any impact of these amendments on the financial statements as the Company does not prepare separate financial statements.

Amendments to IFRS 10 and IAS 28 – ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*** The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. 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.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception. The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The management of the Group does not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

Annual Improvements to IFRSs 2012-2014 Cycle. The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal group from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The management of the Group does not anticipate that the application of these amendments will have a significant effect on the consolidated financial statements.

4. NET INTEREST INCOME

	Year ended 31 December 2015	Year ended 31 December 2014
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired assets	72,561	52,208
- interest income on impaired assets	20,048	34,328
Interest income on financial assets recorded at fair value	4,995	4,070
Total interest income	97,604	90,606
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers and banks	91,032	81,290
Penalties on loans to customers and banks	876	4,030
Interest on investments held to maturity	427	789
Interest on due from banks and cash equivalents	274	427
Total interest income on financial assets recorded at amortized cost	92,609	86,536
Interest income on financial assets recorded at fair value comprises:		
Interest income on investments available-for-sale	3,946	3,035
Interest income on financial assets at fair value through profit or loss	1,049	1,035
Total interest income on financial assets recorded at fair value	4,995	4,070
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	(52,518)	(45,670)
Total interest expense	(52,518)	(45,670)
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on customer and bank accounts	(34,580)	(30,577)
Interest on due to banks and financial institutions	(10,224)	(9,176)
Interest on subordinated bonds	(4,733)	(4,180)
Interest on debt securities issued	(2,981)	(1,737)
Total interest expense on financial liabilities recorded at amortized cost	(52,518)	(45,670)
Net interest income before provision for impairment losses on interest bearing assets	45,086	44,936

During the year ended 31 December 2014, the Group has amended its policy on recognition of interest income on impaired assets so that it is now being recognized using method of unwind of discount. Present value of future cash flows increases due to the passage of time thus reducing allowance for impairment losses. This is referred to as unwinding effect that is disclosed in Note 5.

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

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

	Corporate loans**	Small and medium-sized enterprises	Mortgage loans	Consumer loans	Business development	Car loans	Loans to banks	Total loans to customers (Note 18)
31 December 2013	144,743	10,205	19,140	16,108	5,745	1,246	41	197,228
Additional provision/(recoveries) recognized**	41,311	6,291	(2,992)	(4,651)	3,506	5	-	43,470
Unwind of discount*	(11,686)	(865)	(423)	(496)	(159)	(3)	-	(13,632)
Write-off of assets	(69,008)	(1,671)	(11,494)	(6,123)	(582)	(1,265)	-	(90,143)
Recovery of assets previously written off	149	-	664	80	49	25	-	967
Exchange rate difference	10,598	(336)	392	316	151	25	-	11,146
31 December 2014	116,107	13,624	5,287	5,234	8,710	33	41	149,036
Additional provision/(recoveries) recognized	21,926	(6,228)	7,618	4,452	2,594	(7)	(41)	30,314
Unwind of discount*	(11,730)	(560)	(2,016)	(1,893)	(1,299)	(2)	-	(17,500)
Write-off of assets	(34,394)	(577)	(5,105)	(1,250)	(788)	(10)	-	(42,124)
Recovery of assets previously written off	771	-	41	3	-	-	-	815
Exchange rate difference	27,049	2,657	704	623	2,854	9	-	33,896
Reclassified as assets held for sale	(607)	(2,349)	(61)	(94)	-	-	-	(3,111)
31 December 2015	119,122	6,567	6,468	7,075	12,071	23	-	151,326

* Recognized in interest income

** Additional provisions recognized during the year ended 31 December 2014 is presented in consolidated statement of profit or loss in "Provision for impairment losses on interest bearing assets" line item from continuing operations and in discontinued operations

The movements in provision for impairment losses on other assets were as follows:

	Other assets (Note 19)
31 December 2013	1,891
Recoveries of provisions recognized*	(215)
Write-off of assets	(824)
Recovery of assets previously written off	1,254
Exchange rate difference	185
31 December 2014	2,291
Recoveries of provisions recognized	(372)
Write-off of assets	(468)
Exchange rate difference	203
31 December 2015	1,654

*Recoveries of provisions recognized during the year ended 31 December 2014 is presented in consolidated statement of profit or loss in "Recovery for impairment losses on other transactions" line item from continuing operations and in discontinued operations

The movements in provision for impairment losses on guarantees and letters of credit were as follows:

	Guarantees and letters of credit (Note 24)
31 December 2013	1,780
Recovery of provisions recognized	(5,709)
Additional provisions recognized	5,830
Exchange rate difference	(7)
31 December 2014	1,894
Recoveries of provisions recognized	(3,953)
Additional provisions recognized	2,260
Exchange rate difference	309
31 December 2015	510

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

	Year ended 31 December 2015	Year ended 31 December 2014
Realized (loss)/gain on trading operations	(336)	42
Unrealized loss on fair value adjustment	(1,679)	(150)
Unrealized gain/(loss) on operations with derivative financial instruments	77,957	(99)
Realized gain on operations with derivative financial instruments	1,703	333
Total net gain on financial assets and liabilities at fair value through profit or loss	77,645	126

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

7. NET (LOSS)/GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2015	Year ended 31 December 2014
Dealing, net	8,308	6,522
Translation differences, net	(85,583)	(477)
Total net (loss)/gain on foreign exchange operations	(77,275)	6,045

On 20 August 2015, the Government and the NBRK announced a transition to a new monetary policy based on free floating tenge exchange rate, and cancelled the currency corridor. The average rate of tenge to the US dollar in the morning trading session at the Kazakhstan Currency Exchange (KASE) on 20 August was at the level of 255.26 tenge to the US dollar compared to 188.38 tenge on 19 August. At the present time it is impossible to determine the impact of this fact on the Kazakhstan economy and the banking system. Management believes it is taking all necessary measures to support the sustainability of the Group in these conditions.

8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2015	Year ended 31 December 2014
Fee and commission income:		
Cash operations	5,304	5,757
Settlements	5,061	4,933
Payment cards	4,301	4,220
Guarantees	2,955	3,864
Foreign exchange operations	1,140	1,209
Custodian activities	674	414
Internet-banking operations	611	551
Documentary operations	104	179
Trust operations	39	49
Other	632	602
Total fee and commission income	20,821	21,778
Fee and commission expense:		
Settlements	(1,307)	(1,084)
Custodian activities	(540)	(395)
Documentary operations	(129)	(66)
Securities operations	(58)	(49)
Foreign exchange operations	(16)	(82)
Other	(124)	(139)
Total fee and commission expense	(2,174)	1,815)

9. OPERATING EXPENSES

	Year ended 31 December 2015	Year ended 31 December 2014
Staff costs	12,996	11,431
Deposit Insurance Fund expenses	3,045	2,371
Taxes other than income tax	2,224	2,024
Depreciation and amortization	2,049	1,834
Administrative expenses	1,933	1,814
Operating leases	1,821	1,931
Security expenses	749	638
Property and equipment maintenance	621	519
Telecommunications	508	512
Advertising costs	265	243
Business trip expenses	250	251
Professional services	175	90
Other	1,454	1,177
Total operating expenses	28,090	24,835

10. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Kazakhstan and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses such as business development expenses and a tax free regime for certain income such as income on finance leases and income from operations with state securities and securities listed on the Kazakhstan Stock Exchange.

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

The tax losses carried forward expire in 2023. Based on the business plans prepared, management concluded that it is appropriate to recognise a deferred tax asset in relation to tax losses carried forward.

On 26 December 2012, certain changes to the Tax Code were adopted in Kazakhstan. Most of those tax amendments took effect on 1 January 2013. Significant changes that were introduced relate to interest expense deduction, deduction of provision for impairment losses, introduction of dynamic provision and changes in the deduction of doubtful debts. In particular, the amount of interest expense deductible for corporate income tax purposes shall be recognised in the amount of interest that is paid in the reporting tax period, up to the amount of interest recognised as expenses in the reporting tax period and/(or) in tax periods prior to the reporting tax period, up to the amount of interest recognised as expense in the reporting tax period. According to changes to the Tax Code, banks shall determine the deductible provision for impairment losses based on IFRS and Kazakhstan legislation, except for provisions accrued against finance lease and loans provided to related parties or to third parties against related parties' liabilities.

Deferred taxes on temporary differences as at 31 December 2015 and 2014 comprise:

	31 December 2015	31 December 2014
Accrued interest payable	192	414
Financial assets and liabilities at fair value through profit or loss	613	282
Tax losses carried forward	127	164
Other	181	105
Property, equipment and intangible assets	(1,881)	(1,201)
Net deferred tax liability	(768)	(236)

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

	Year ended 31 December 2015	Year ended 31 December 2014
Operating profit before income tax from continuing operations	7,875	4,336
Tax at the statutory tax rate	1,575	867
Tax-exempt interest income and other related income on state and their qualifying securities	(661)	(920)
Non-deductible provision for impairment losses on doubtful debt	599	2,395
Non-deductible operating and other income	321	(565)
Income tax expense	1,834	1,777
Current income tax expense	1,302	409
Deferred income tax expense	532	1,368
Income tax expense from continuing operations	1,834	1,777

The tax rate used for the year ended 31 December 2015 and 2014 reconciliations above is the corporate tax rate of 20%, payable by corporate entities in the Republic of Kazakhstan on taxable profits under tax law in that jurisdiction.

	2015	2014
Deferred income tax liabilities		
Beginning of the year	(236)	1,132
Change in deferred tax liabilities	(532)	(1,368)
End of the year	(768)	(236)

11. DISCONTINUED OPERATIONS

In December 2015 the Management Board and Board of Directors of the Bank made the decision to dispose 100% of its investment in LLC Bank BCC-Moscow. The Group is actively seeking for a buyer and anticipates the disposal will be completed in 2016. The Group has recognized impairment losses in respect of assets held for sale in the amount of KZT 4,802 million.

The combined results of the discontinued operations of LLC Bank BCC-Moscow included in the consolidated statement of profit or loss are set out below.

	Year ended 31 December 2015	Year ended 31 December 2014
Interest income	1,056	2,648
Interest expense	(652)	(1,177)
NET INTEREST INCOME BEFORE RECOVERY/(PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	404	1,471
Recovery/(provision) for impairment losses on interest bearing assets	2,596	(1,330)
NET INTEREST INCOME	3,000	141
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	295	(514)
Net realized loss on investments available-for-sale	(1)	-
Net (loss)/gain on foreign exchange operations	(1,113)	125
Fee and commission income	52	71
Fee and commission expense	(24)	(46)
(Provision)/recovery for impairment losses on other transactions	(327)	47
Other expense	(320)	(86)
NET NON-INTEREST LOSS	(1,438)	(403)
OPERATING INCOME/(LOSS)	1,562	(262)
OPERATING EXPENSES	(833)	(1,307)
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX	729	(1,569)
Income tax expense	(27)	(23)
	702	(1,592)
Loss on remeasurement to fair value less costs to sell	(4,802)	-
Loss for the year from discontinued operations	(4,100)	(1,592)

CASH FLOWS FROM DISCONTINUED OPERATIONS	Year ended 31 December 2015	Year ended 31 December 2014
Net cash inflows/(outflows) from operating activities	3,542	(373)
Net cash (outflows)/inflows from investing activities	(865)	17
Net cash inflows from financing activities	-	501
Net cash inflows	2,677	145

The major classes of assets and liabilities of LLC Bank BCC-Moscow at the end of reporting period are as follows:

	31 December 2015
Cash and cash equivalents	6,373
Financial assets at fair value through profit or loss	1,748
Investments held to maturity	1,397
Loans to customers and banks	1,807
Other assets	542
Property, equipment and intangible assets	711
Assets of LLC Bank BCC-Moscow classified as held for sale	12,578
Due to banks and financial institutions	3,334
Customer and banks accounts	4,271
Other liabilities	132
Liabilities of LLC Bank BCC-Moscow classified as held for sale	7,737
Net assets of LLC Bank BCC-Moscow classified as held for sale	4,841

12. EARNINGS/(LOSS) PER SHARE AND BOOK VALUE PER SHARE

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

	Year ended 31 December 2015	Year ended 31 December 2014
Basic earnings per share		
Net profit for the year attributable to owners of the Bank	1,916	980
Less: loss for the year from discontinued operations used in calculation of earnings/(loss) per share from discontinued operations	4,100	1,592
Less: additional dividends that would be paid on full distributions of profit to the preferred share holders	(1,176)	(514)
Earnings attributable to ordinary shareholders	4,840	2,058
Weighted average number of ordinary shares for purposes of basic earnings per share	161,927,052	162,220,501
Earnings per share - basic (KZT), continuing operations	29.89	12.69
Loss per share - basic (KZT), discontinued operations	(25.32)	(9.81)
Diluted earnings per share		
Earnings used in calculation of earnings per share from continuing operations	4,840	2,058
Add: additional dividends that would be paid on full distributions of profit to the preferred share holders	1,176	514
Earnings used in the calculation of total diluted earnings per share from continuing operations	6,016	2,572
Weighted average number of ordinary shares for purposes of diluted earnings per share	161,927,052	162,220,501
Shares deemed to be issued:		
Weighted average number of common shares that would be issued for the convertible preferred shares	39,249,255	39,249,255
Weighted average number of ordinary shares for purposes of diluted earnings per share	201,176,307	201,469,756
Earnings per share - diluted (KZT), continuing operations	29.90	12.77

On 25 August 2010 Kazakhstan Stock Exchange ("KASE") has introduced new rules for listed companies that require the disclosure of book value of one share per each class of shares in the listed company's financial statements. The Group has calculated the book value of one share per each class of shares in accordance with the methodology for computation of the book value of one share, provided by KASE.

The book value of one share per each class of shares as at 31 December 2015 and 2014 is as follows:

	31 December 2015			31 December 2014		
Class of shares	**Outstanding shares (number outstanding)**	**Amount for calculation of book value KZT million**	**Book value of one share, KZT**	**Outstanding shares (number outstanding)**	**Amount for calculation of book value KZT million**	**Book value of one share, KZT**
Ordinary shares	161,584,115	71,803	444	162,021,348	71,914	444
Preference shares	39,249,255	11,775	300	39,249,255	11,775	300
		83,578			83,689	

The book value of one preference share is calculated as the ratio of the amount of equity attributable to preference shares to the outstanding number of preference shares as at the reporting date. The book value of one ordinary share is calculated as the ratio of the amount of net asset value of the Group for ordinary shares to the outstanding number of ordinary shares as at reporting date. The net asset value of the Group for ordinary shares is calculated as the total equity net of intangible assets and the amount of equity attributable to preference shares as at reporting date. Outstanding number of ordinary and preference shares is calculated as outstanding shares authorized and issued net of repurchased shares by the Group as at reporting date.

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

13. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Short-term deposits with financial institutions	200,172	76,894
Cash on hand	37,726	32,130
Cash in transit	4,225	3,604
Total cash and cash equivalents	242,123	112,628

As at 31 December 2015 the Group had deposits with NBRK and JSC Kazkommertsbank which individually and in the aggregate exceeded 10% of the Group's equity.

As at 31 December 2014 the Group had deposits with NBRK, and Citibank, N.Y. which individually and in the aggregate exceeded 10% of the Group's equity.

Obligatory reserves

Minimum reserve requirements are determined as a percentage of average balances of deposits and international borrowings in accordance with the requirements of the NBRK. The Group has maintained an average balance in compliance with the NBRK requirements.

	31 December 2015	31 December 2014
Mandatory cash deposits with the NBRK	15,951	17,136
Mandatory cash deposits with the Central Bank of Russian Federation ("CBR")	-	185
Total obligatory reserves	15,951	17,321

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

	31 December 2015	31 December 2014
Financial assets held for trading:		
Debt securities	12,018	20,407
Equity securities	527	646
Total financial assets held for trading	12,545	21,053
Derivative financial instruments	91,205	3,244
Total financial assets at fair value through profit or loss	103,750	24,297

	31 December 2015		31 December 2014	
	Nominal interest rate, %	Fair value	Nominal interest rate, %	Fair value
Debt securities:				
Government bonds of the Republic of Kazakhstan	4.93-7.65	6,949	4.80-7.80	8,638
Kazakhstan corporate bonds	3.91-13.00	4,973	4.63-13.00	6,364
International corporate bonds	5.95	96	-	-
Russian corporate bonds	-	-	7.75-12.60	4,398
Government bonds of the Russian Federation	-	-	6.88-8.15	1,007
Total debt securities		12,018		20,407

	31 December 2015 Fair value	31 December 2014 Fair value
Equity securities*:		
Shares of Kazakhstan corporations	444	645
Shares of International corporations	83	1
Total equity securities	527	646

*Ownership interest in equity securities is below 1%

	31 December 2015			31 December 2014		
	Notional amount	Fair value		Notional amount	Fair value	
		Asset	Liability (Note 24)		Asset	Liability (Note 24)
Foreign currency contracts:						
Swaps	215,457	91,205	8,957	181,335	3,244	144
Embedded derivative	1,622	-	812		-	-
Total derivative financial instruments		91,205	9,769		3,244	144

The table above shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

As at 31 December 2015 and 2014 financial assets at fair value through profit or loss included Treasury bonds of the Ministry of Finance of Republic of Kazakhstan and other securities of KZT 6,371 million and KZT 8,727 million, respectively, which were pledged under repurchase agreements with the other banks (Note 30). All repurchase agreements as at 31 December 2015 and 2014 mature in January 2016 and January 2015, respectively.

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. Cross currency swap is an exchange of differently defined interest rates payable and different currencies on a fixed nominal amount (principal) between two contracting parties.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts.

15. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2015	31 December 2014
Debt securities	96,531	53,439
Equity securities	149	137
Total investments available-for-sale	96,680	53,576

	31 December 2015		31 December 2014	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
Debt securities:				
Government bonds of the Republic of Kazakhstan	3.30-8.75	51,642	3.30-8.75	32,705
Kazakhstan corporate bonds	3.26-9.13	40,962	3.26-8.90	16,397
Russian corporate bonds	5.25	2,060	4.22-12.00	4,337
International corporate bonds	8.15	1,867	-	-
Total debt securities		96,531		53,439

	31 December 2015	31 December 2014
Equity securities:		
Kazakhstan corporate shares	130	126
International corporate shares	19	11
Total equity securities	149	137
Total investments available-for-sale	96,680	53,576

As at 31 December 2015 and 2014 investments available-for-sale included Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan and other securities of KZT 43,539 million and KZT 4,015 million, respectively, which were pledged under repurchase agreements with the other banks (Note 30). All repurchase agreements as at 31 December 2015 and 2014 mature in January 2016 and January 2015, respectively.

16. INVESTMENTS HELD TO MATURITY

	31 December 2015		31 December 2014	
	Nominal interest rate, %	Amount	Nominal interest rate, %	Amount
Kazakhstan corporate bonds	3.26-13.00	5,248	7.40-13.00	2,906
Government bonds of the Republic of Kazakhstan	4.89-8.10	1,070	4.40-8.10	6,440
International corporate bonds	1.60	292	6.10	298
Total investments held to maturity		6,610		9,644

As at 31 December 2015 and 2014 investments held to maturity included Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan pledged under repurchase agreements with other banks amounting to KZT nil and KZT 3,117 million, respectively (Note 30). All repurchase agreements as at 31 December 2014 mature in January 2015.

17. DUE FROM BANKS

	31 December 2015	31 December 2014
Time deposits	10,169	8,348
Accrued interest	4	-
Total due from banks	10,173	8,348

As at 31 December 2015 and 2014, included in balances due from banks are guarantee deposits placed by the Group for its credit card operations amounting to KZT 2,703 million and KZT 1,446 million, respectively.

18. LOANS TO CUSTOMERS AND BANKS

	31 December 2015	31 December 2014
Originated loans to customers	974,136	913,729
Net investment in finance lease	4,186	4,841
Accrued interest	61,119	53,361
	1,039,441	971,931
Less: allowance for impairment losses	(151,326)	(148,995)
Total loans to customers	888,115	822,936
Originated loans to banks and other financial institutions	897	4,680
Accrued interest	19	18
Less: allowance for impairment losses	-	(41)
Total loans to banks	916	4,657
Loans under reverse repurchase agreements	2,949	1,809
Total loans to customers and banks	891,980	829,402

Movement in allowances for impairment losses on loans to customers and banks for the years ended 31 December 2015 and 2014 are disclosed in Note 5.

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

	31 December 2015	31 December 2014
Loans collateralized by real estate	727,185	708,156
Loans collateralized by corporate guarantees	71,364	56,315
Loans collateralized by goods	69,351	79,049
Loans collateralized by equipment	62,896	49,850
Loans collateralized by other assets	51,602	35,031
Loans collateralized by cash	28,268	18,833
Unsecured loans	28,775	24,697
	1,039,441	971,931
Less: allowance for impairment losses	(151,326)	(148,995)
Total loans to customers	888,115	822,936

	31 December 2015	31 December 2014
Analysis by sector:		
Individuals	396,424	371,488
Trading	152,788	154,025
Rent of real estate	67,834	56,873
Industrial construction	54,457	76,453
Residential construction	53,608	58,268
Manufacturing	48,394	49,330
Agriculture	47,560	45,576
Energy	44,998	10,112
Transportation and equipment maintenance	36,042	27,656
Food industry	35,511	47,510
Oil and gas	20,814	13,463
Telecommunications and transport	13,460	12,187
Mass media	1,830	998
Other	65,721	47,992
	1,039,441	971,931
Less: allowance for impairment losses	(151,326)	(148,995)
Total loans to customers	888,115	822,936

During the years ended 31 December 2015 and 2014 the Group received non-financial assets by taking possession of collateral it held as security. As at 31 December 2015 and 2014 such assets amounting to KZT 15,175 million and KZT 11,368 million, respectively, are included in other assets (Note 19).

Loans to customers comprise the following products:

	31 December 2015	31 December 2014
Loans to legal entities		
Corporate loans	564,948	539,107
Small and medium-sized enterprises	78,069	61,336
	643,017	600,443
Loans to individuals		
Mortgage loans	167,721	164,991
Consumer loans	130,723	120,755
Business development	92,091	79,259
Car loans	5,889	6,483
	396,424	371,488
Less: allowance for impairment losses	(151,326)	(148,995)
Total loans to customers	888,115	822,936

As at 31 December 2015 and 2014 the Group provided loans to 24 and 18 borrowers totaling KZT 351,543 million and KZT 242,835 million, which individually and in aggregate exceeded 10% of the Group's equity, respectively.

As at 31 December 2015 and 2014 a significant amount of loans (98% and 98% of total portfolio, respectively) were granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 31 December 2015 and 2014 loans to customers and banks included loans totaling KZT 67,354 million and KZT 62,250 million, respectively, whose terms were renegotiated. Otherwise these loans would be past due or impaired.

	31 December 2015			31 December 2014		
	Carrying amount before allowance	**Allowance for impairment losses**	**Carrying amount**	**Carrying amount before allowance**	**Allowance for impairment losses**	**Carrying amount**
Loans to customers individually determined to be impaired	282,149	(120,198)	161,951	293,068	(114,056)	179,012
Loans to customers collectively determined to be impaired	81,897	(21,203)	60,694	69,186	(14,495)	54,691
Unimpaired loans	675,395	(9,925)	665,470	609,677	(20,444)	589,233
Total	1,039,441	(151,326)	888,115	971,931	(148,995)	822,936

In determining the impairment allowance for the loans that are individually significant, management of the Group makes the assumption of delay of 1-3 years in obtaining proceeds from sale of collateral.

In December 2015 the Bank introduced changes to the Methodology on provision calculation in the part of loans assessed for impairment on a collective basis. The Bank differentiated approach on provision calculation in relation to: 1) loans on which the Bank expects cash payments by loan repayment and sale of collateral and 2) loans on which the Bank does not expect cash payments and considers only proceeds from sale of collateral. As a result there was additional provision recognized and reallocation of provision between the overdue categories and major part was concentrated in the category with overdue more than 180 days since this category is the riskiest one with the least expectation the borrower will repay the loan by cash.

Analysis by credit quality of loans to corporations outstanding as at 31 December 2015 and 2014 was as follows:

Corporate loans As at 31 December 2015	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Individually impaired				
Not past due	114,945	(38,594)	76,351	33.58%
Overdue:				
up to 30 days	35,094	(14,418)	20,676	41.08%
31 to 60 days	25,962	(10,153)	15,809	39.11%
61 to 90 days	37,853	(22,043)	15,810	58.23%
91 to 180 days	22,122	(13,503)	8,619	61.04%
over 180 days	39,948	(17,819)	22,129	44.61%
Total individually impaired loans	275,924	(116,530)	159,394	42.23%
Collectively assessed				
Not past due	191	(15)	176	7.85%
Overdue:				
up to 30 days	5,223	-	5,223	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	-	-	-	0.00%
over 180 days	38	-	38	0.00%
Total collectively assessed loans	5,452	(15)	5,437	0.28%
Unimpaired loans				
Not past due	279,522	(2,327)	277,195	0.83%
Overdue:				
up to 30 days	866	(2)	864	0.23%
31 to 60 days	2,089	(31)	2,058	1.48%
61 to 90 days	-	-	-	0.00%
91 to 180 days	1,024	(217)	807	21.19%
over 180 days	71	-	71	0.00%
Total unimpaired loans	283,572	(2,577)	280,995	0.91%
Total corporate loans	564,948	(119,122)	445,826	21.09%

Corporate loans As at 31 December 2014	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Individually impaired				
Not past due	178,391	(67,611)	110,780	37.90%
Overdue:				
up to 30 days	14,986	(5,441)	9,545	36.31%
31 to 60 days	28,451	(8,767)	19,684	30.81%
61 to 90 days	9,486	(2,215)	7,271	23.35%
91 to 180 days	12,394	(4,746)	7,648	38.29%
over 180 days	45,295	(22,933)	22,362	50.63%
Total individually impaired loans	289,003	(111,713)	177,290	38.65%
Collectively assessed				
Not past due	3,620	(26)	3,594	0.72%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	-	-	-	0.00%
over 180 days	224	(165)	59	73.66%
Total collectively assessed loans	3,844	(191)	3,653	4.97%
Unimpaired loans				
Not past due	240,646	(1,387)	239,259	0.58%
Overdue:				
up to 30 days	235	(1)	234	0.43%
31 to 60 days	3,354	(2,279)	1,075	67.95%
61 to 90 days	1,147	(227)	920	19.79%
91 to 180 days	603	(100)	503	16.58%
over 180 days	275	(209)	66	76.00%
Total unimpaired loans	246,260	(4,203)	242,057	1.71%
Total corporate loans	539,107	(116,107)	423,000	21.54%

Analysis by credit quality of loans to small and medium-sized enterprises outstanding as at 31 December 2015 and 2014 was as follows:

Small and medium-sized enterprises As at 31 December 2015	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Collectively assessed				
Not past due	1,863	-	1,863	0.00%
Overdue:				
up to 30 days	11	(11)	-	100.00%
31 to 60 days	2	-	2	0.00%
61 to 90 days	6	-	6	0.00%
91 to 180 days	73	(53)	20	72.60%
over 180 days	9,218	(4,848)	4,370	52.59%
Total collectively assessed loans	11,173	(4,912)	6,261	43.96%
Unimpaired loans				
Not past due	56,143	-	56,143	0.00%
Overdue:				
up to 30 days	1,454	(2)	1,452	0.14%
31 to 60 days	815	-	815	0.00%
61 to 90 days	973	-	973	0.00%
91 to 180 days	759	-	759	0.00%
over 180 days	6,752	(1,653)	5,099	24.48%
Total unimpaired loans	66,896	(1,655)	65,241	2.47%
Total small and medium-sized enterprises	78,069	(6,567)	71,502	8.41%

Small and medium-sized enterprises As at 31 December 2014	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Individually impaired				
Not past due	1,415	(896)	519	63.32%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	2,287	(1,447)	840	63.27%
over 180 days	-	-	-	0.00%
Total individually impaired loans	3,702	(2,343)	1,359	63.29%
Collectively assessed				
Not past due	1,081	(256)	825	23.68%
Overdue:				
up to 30 days	163	(38)	125	23.31%
31 to 60 days	18	(8)	10	44.44%
61 to 90 days	18	(8)	10	44.44%
91 to 180 days	851	(377)	474	44.30%
over 180 days	5,924	(4,868)	1,056	82.17%
Total collectively assessed loans	8,055	(5,555)	2,500	68.96%
Unimpaired loans				
Not past due	39,654	(1,228)	38,426	3.10%
Overdue:				
up to 30 days	1,053	(168)	885	15.95%
31 to 60 days	565	(285)	280	50.44%
61 to 90 days	126	(47)	79	37.30%
91 to 180 days	2,164	(221)	1,943	10.21%
over 180 days	6,017	(3,777)	2,240	62.77%
Total unimpaired loans	49,579	(5,726)	43,853	11.55%
Total small and medium-sized enterprises	61,336	(13,624)	47,712	22.21%

Analysis by credit quality of mortgage loans outstanding as at 31 December 2015 and 2014 was as follows:

Mortgage As at 31 December 2015	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Individually impaired				
Not past due	-	-	-	0.00%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	763	(459)	304	60.16%
over 180 days	-	-	-	0.0%
Total individually impaired loans	763	(459)	304	60.16%
Collectively assessed				
Not past due	1,861	(117)	1,744	6.29%
Overdue:				
up to 30 days	2,700	(114)	2,586	4.22%
31 to 60 days	129	-	129	0.00%
61 to 90 days	2,911	-	2,911	0.00%
91 to 180 days	2,551	-	2,551	0.00%
over 180 days	15,145	(3,788)	11,357	25.01%
Total collectively assessed loans	25,297	(4,019)	21,278	15.89%
Unimpaired loans				
Not past due	116,416	-	116,416	0.00%
Overdue:				
up to 30 days	5,587	-	5,587	0.00%
31 to 60 days	2,536	(8)	2,528	0.32%
61 to 90 days	2,463	-	2,463	0.00%
91 to 180 days	2,772	-	2,772	0.00%
over 180 days	11,887	(1,982)	9,905	16.67%
Total unimpaired loans	141,661	(1,990)	139,671	1.40%
Total mortgage loans	167,721	(6,468)	161,253	3.86%

Consumer loans As at 31 December 2014	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Individually impaired				
Not past due	99	-	99	0.00%
Overdue:				
up to 30 days	1	-	1	0.00%
31 to 60 days	1	-	1	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	73	-	73	0.00%
over 180 days	-	-	-	0.00%
Total individually impaired loans	174	-	174	0.00%
Collectively assessed				
Not past due	6,000	(44)	5,956	0.73%
Overdue:				
up to 30 days	3,016	(58)	2,958	1.92%
31 to 60 days	117	(5)	112	4.27%
61 to 90 days	1,711	(63)	1,648	3.68%
91 to 180 days	448	(24)	424	5.36%
over 180 days	12,157	(908)	11,249	7.47%
Total collectively assessed loans	23,449	(1,102)	22,347	4.70%
Unimpaired loans				
Not past due	77,054	(353)	76,701	0.46%
Overdue:				
up to 30 days	3,982	(63)	3,919	1.58%
31 to 60 days	1,784	(52)	1,732	2.91%
61 to 90 days	1,017	(45)	972	4.42%
91 to 180 days	2,069	(122)	1,947	5.90%
over 180 days	11,226	(3,497)	7,729	31.15%
Total unimpaired loans	97,132	(4,132)	93,000	4.25%
Total consumer loans	120,755	(5,234)	115,521	4.33%

Analysis by credit quality of loans issued for business development purposes as at 31 December 2015 and 2014 was as follows:

Business development As at 31 December 2015	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Individually impaired				
Not past due	-	-	-	0.00%
Overdue:				
up to 30 days	956	(375)	581	39.23%
31 to 60 days	2,062	(1,732)	330	84.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	-	-	-	0.00%
over 180 days	-	-	-	0.00%
Total individually impaired loans	3,018	(2,107)	911	69.81%
Collectively assessed				
Not past due	1,196	-	1,196	0.00%
Overdue:				
up to 30 days	78	-	78	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	135	-	135	0.00%
over 180 days	17,602	(7,920)	9,682	44.99%
Total collectively assessed loans	19,011	(7,920)	11,091	41.66%
Unimpaired loans				
Not past due	53,766	-	53,766	0.00%
Overdue:				
up to 30 days	2,340	-	2,340	0.00%
31 to 60 days	1,416	-	1,416	0.00%
61 to 90 days	828	-	828	0.00%
91 to 180 days	961	-	961	0.00%
over 180 days	10,751	(2,044)	8,707	19.01%
Total unimpaired loans	70,062	(2,044)	68,018	2.92%
Total business development	92,091	(12,071)	80,020	13.11%

Business development As at 31 December 2014	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Collectively assessed				
Not past due	846	(5)	841	0.59%
Overdue:				
up to 30 days	164	(49)	115	29.88%
31 to 60 days	1	-	1	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	131	(109)	22	83.21%
over 180 days	10,943	(5,936)	5,007	54.24%
Total collectively assessed loans	12,085	(6,099)	5,986	50.47%
Unimpaired loans				
Not past due	54,040	(1,418)	52,622	2.62%
Overdue:				
up to 30 days	1,572	(161)	1,411	10.24%
31 to 60 days	1,048	(96)	952	9.16%
61 to 90 days	520	(146)	374	28.08%
91 to 180 days	891	(261)	630	29.29%
over 180 days	9,103	(529)	8,574	5.81%
Total unimpaired loans	67,174	(2,611)	64,563	3.89%
Total business development	79,259	(8,710)	70,549	10.99%

Analysis by credit quality of car loans outstanding as at 31 December 2015 and 2014 was as follows:

Car loans As at 31 December 2015	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Collectively assessed				
Not past due	13	-	13	0.00%
Overdue:				
up to 30 days	-	-	-	0.00%
31 to 60 days	2	-	2	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	9	-	9	0.00%
over 180 days	28	(9)	19	32.14%
Total collectively assessed	52	(9)	43	17.31%
Unimpaired loans				
Not past due	5,266	-	5,266	0.00%
Overdue:				
up to 30 days	136	-	136	0.00%
31 to 60 days	50	-	50	0.00%
61 to 90 days	72	-	72	0.00%
91 to 180 days	96	-	96	0.00%
over 180 days	217	(14)	203	6.45%
Total unimpaired loans	5,837	(14)	5,823	0.24%
Total car loans	5,889	(23)	5,866	0.39%

Car loans As at 31 December 2014	Gross loans	Provision for impairment	Net loans	Provision for impairment to gross loans
Collectively assessed				
Not past due	9	-	9	0.00%
Overdue:				
up to 30 days	1	-	1	0.00%
31 to 60 days	-	-	-	0.00%
61 to 90 days	-	-	-	0.00%
91 to 180 days	3	-	3	0.00%
over 180 days	12	(1)	11	8.33%
Total collectively assessed	25	(1)	24	4.00%
Unimpaired loans				
Not past due	6,079	(25)	6,054	0.41%
Overdue:				
up to 30 days	185	(2)	183	1.08%
31 to 60 days	37	(1)	36	2.70%
61 to 90 days	22	(1)	21	4.55%
91 to 180 days	56	(2)	54	3.57%
over 180 days	79	(1)	78	1.27%
Total unimpaired loans	6,458	(32)	6,426	0.50%
Total car loans	6,483	(33)	6,450	0.51%

As at 31 December 2015 and 2014 the Group entered as a lessor into finance leasing agreements. The interest rate inherent in leases is fixed at the contract date for all of the lease terms.

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

	31 December 2015	31 December 2014
Not later than one year	463	551
From one year to five years	1,430	2,515
More than five years	10,612	10,443
Minimum lease payments	12,505	13,509
Less: unearned finance income	(8,319)	(8,668)
Net investment in finance lease	4,186	4,841
Current portion	20	71
Long-term portion	4,166	4,770
Net investment in finance lease, before allowance for impairment	4,186	4,841
Less: allowance for impairment losses	(55)	(19)
Net investment in finance lease, net of allowance for impairment	4,131	4,822

There are no restrictions placed upon the lessee by entering into these contracts.

Fair values of assets pledged and carrying amount of loans under reverse repurchase agreements as at 31 December 2015 and 2014 are presented as follows:

	31 December 2015		31 December 2014	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Bonds of the Ministry of Finance of the Republic of Kazakhstan	1,794	1,889	1,799	1,971
Kazakhstan corporate bonds	1,155	1,618	10	12
Total	2,949	3,507	1,809	1,983

19. OTHER ASSETS

	31 December 2015	31 December 2014
Other financial assets:		
Receivables	8,896	4,463
Accrued commission	1,608	2,243
Western Union and other wireless transfers	213	131
	10,717	6,837
Less allowances for impairment losses	(1,504)	(1,608)
Total other financial assets	9,213	5,229
Other non-financial assets:		
Repossessed collateral	15,175	11,368
Investment property	3,376	-
Tax settlements, other than income tax	743	1,435
Advances paid	660	339
Inventory	31	50
	19,985	13,192
Less accumulated impairment	(150)	(683)
Total other non-financial assets	19,835	12,509
Total other assets	29,048	17,738

Movement in allowances for impairment losses and accumulated impairment on other assets for the years ended 31 December 2015 and 2014 are disclosed in Note 5.

Repossessed collateral represents real estate accepted by the Group from its non-performing borrowers. These assets have been initially recognized at fair value and subsequently measured at cost less accumulated impairment. As at 31 December 2015, the Management has not yet decided on whether the repossessed collateral will be sold or used as property and equipment.

The fair value of investment property was determined based on the market comparable approach that reflects recent transaction prices for similar properties and as at 31 December 2015 amounted to KZT 5,223 million.

Included into operating lease income is investment property rental income for the year ended 31 December 2015 amounted to KZT 58 million.

Operating expenses arising from the investment property that generated rental income during the year ended 31 December 2015 amounted to KZT 47 million.

20. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate	Furniture and equipment	Construction in progress	Intangible assets	Total
At initial cost					
31 December 2013	16,861	12,884	1,891	4,128	35,764
Additions	7,248	1,288	107	533	9,176
Transfers	1,960	-	(1,960)	-	-
Disposals	(130)	(1,665)	-	(62)	(1,857)
Foreign exchange effect	(132)	84	-	(30)	(78)
31 December 2014	25,807	12,591	38	4,569	43,005
Additions	936	1,061	624	1,424	4,045
Reclassified as assets held for sale	(734)	(289)	-	(161)	(1,184)
Transfers	-	18	(18)	-	-
Disposals	-	(5)	-	(1)	(6)
Write off	-	(406)	-	(129)	(535)
31 December 2015	26,009	12,970	644	5,702	45,325
Accumulated depreciation and impairment					
31 December 2013	(686)	(7,556)	-	(2,368)	(10,610)
Depreciation expenses	(220)	(1,270)	-	(456)	(1,946)
Disposals	121	1,545	-	45	1,711
31 December 2014	(785)	(7,281)	-	(2,779)	(10,845)
Depreciation expenses	(281)	(1,220)	-	(548)	(2,049)
Reclassified as assets held for sale	156	183	-	96	435
Disposals	-	(4)	-	-	(4)
Write off	-	379	-	129	508
31 December 2015	(910)	(7,943)	-	(3,102)	(11,955)
Net book value					
31 December 2015	25,099	5,027	644	2,600	33,370
31 December 2014	25,022	5,310	38	1,790	32,160

* Depreciation expenses recognized during the year ended 31 December 2014 is presented from continuing operations and discontinued operations

Intangible assets include software, patents and licenses.

21. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Nominal interest rate, %	31 December 2015	31 December 2014
Long-term loans due to banks and financial institutions	0.85-8.50	55,325	50,489
Loan due to NBRK	5.50	30,132	30,148
Perpetual debt	9.13	26,513	13,600
Loans due to international credit organizations	6.20-8.15	18,358	-
Correspondent accounts of banks	-	1,169	706
Short-term loans due to banks and financial institutions	3.39-3.94	300	970
Subordinated loan	LIBOR +4.5– LIBOR +6.5	-	4,559
Accrued interest	-	1,933	2,540
		133,730	103,012
Loans under repurchase agreements	20.00-80.00	47,818	14,868
Total due to banks and financial institutions		181,548	117,880

During the year ended 31 December 2015 and 2014 the Group has received long term loans with the possibility of early recall from JSC Entrepreneurship Development Fund DAMU ("DAMU") in the amount of KZT 3,000 million at 2.00% p.a. maturing in 2019 and KZT 8,000 million at 2.00% p.a. maturing in 2034, respectively. The loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") of 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, at 6% with the maturity not exceeding 10 years. The Group's obligation to repay the loan to DAMU is not contingent on collectability of the loans extended to SME borrowers. The Group is obligated to pay 5% penalty on the amounts not extended to SME borrowers within 6 months after receiving the money from DAMU. Management of the Group believes that there are no other similar financial instruments and due to specific nature of SME clients, this product represents a separate market. As a result, the loan from DAMU was received in an orderly transaction and as such has been recorded at fair value at the recognition date.

During the year ended 31 December 2015 the Group has received long term loans from JSC Development Bank of Kazakhstan in the amount of KZT 4,000 million at 2% p.a., and in the amount of KZT 1,630 million at 1% p.a. maturing in 2035.

During the year ended 31 December 2014 the Group has received long term loans from JSC Development Bank of Kazakhstan in the amount of KZT 11,000 million at 7.90% p.a. maturing in 2019.

In February 2014 the Group received a loan from NBRK in the amount of KZT 80,000 million at 5.5% p.a. with the maturity of one year. As at 31 December 2014 the Group has partially repaid the loan. In December 2014 the Group prolonged payment of the loan till 1 September 2016. As at 31 December 2015 the loan due to NBRK amounted to KZT 30,000 million.

The Perpetual non-cumulative debt was issued by the Group in March 2006 with an option to repay in whole, but not in part, on any interest payment date from and including 3 March 2016 at face value of USD 100 million. Interest payment dates are 3 March, 3 June, 3 September and 3 December in each year.

During the year ended 31 December 2015 the Group has received long term loans from European Bank for Reconstruction and Development ("EBRD") in the amount of KZT 10,000 million at 6.2% p.a., in the amount of KZT 1,860 million at 7.3% p.a., in the amount of KZT 6,750 million at 8.15% p.a. maturing in 2020.

During the year ended 31 December 2015 the Group has fully repaid subordinated loan from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. MBH. and partly repaid loan received from Citibank N.A. in amounts of KZT 8,500 million and KZT 1,073 million, respectively.

In the event of bankruptcy or liquidation of the Group, repayment of all subordinated loans is subordinate to the repayments of the Group's liabilities to all other creditors.

The Group is obligated to comply with financial covenants in relation to due to banks and subordinated loans. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios.

During the year the Group has breached a covenant in relation to a loan obtained from Citibank International Plc. On 28 January 2016 The Group obtained a waiver from Citibank International Plc to 31 December 2015.

As at 31 December 2015 and 2014, the Group had long-term loans received from JSC Development Bank of Kazakhstan, Entrepreneurship Development Fund DAMU ("DAMU") and NBRK that individually and in aggregate exceeded 10% of the Group's equity.

As at 31 December 2015 and 2014 included in deposits by banks are loans under repurchase agreements of KZT 47,818 million and KZT 14,868 million that were settled in January 2016 and 2015, respectively.

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

	31 December 2015		**31 December 2014**	
	Carrying amount of loans	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Bonds of the Ministry of Finance of the Republic of Kazakhstan	47,818	49,910	10,000	10,653
Corporate bonds	-	-	3,874	4,420
Government bonds of Russian Federation	-	-	994	786
Total	47,818	49,910	14,868	15,859

22. CUSTOMER AND BANK ACCOUNTS

	31 December 2015	31 December 2014
Recorded at amortized cost:		
Customer accounts	1,030,367	794,503
Bank accounts	24,202	9,601
	1,054,569	804,104
Accrued interest	5,509	4,192
Total customer and bank accounts	1,060,078	808,296

	31 December 2015	31 December 2014
Time deposits	756,463	505,842
Demand deposits	273,904	288,661
	1,030,367	794,503
Accrued interest	4,548	3,908
Total customer accounts	1,034,915	798,411

As at 31 December 2015 and 2014 customer accounts totalling KZT 193,857 million and KZT 86,348 million, respectively, were due to five and five customers, which represents a significant concentration.

Analysis by sector:	31 December 2015	31 December 2014
Individuals	545,417	335,607
Social services	169,077	127,767
Real estate construction	73,016	75,143
Trade	51,962	37,971
Transportation and communication	43,251	27,620
Education and health care	27,896	38,908
Insurance companies and pension fund	19,972	31,618
Manufacturing	19,805	10,196
Energy	15,003	9,334
Oil and gas	12,341	6,567
Agriculture	6,822	7,253
Entertainment services	5,309	3,445
Research and engineering	4,858	6,334
Metallurgy	4,828	9,791
Fuel	4,260	3,823
Machinery	1,951	1,331
Chemical production	1,708	4,088
Public administration	368	30,859
Other	27,071	30,756
Total customer accounts	1,034,915	798,411

Bank accounts as at 31 December 2015 and 2014 comprised the following:

	31 December 2015	31 December 2014
Time deposits	24,200	9,600
Demand deposits	2	1
	24,202	9,601
Accrued interest	961	284
Total bank accounts	25,163	9,885

23. DEBT SECURITIES ISSUED

	CCY	Issue date	Maturity date	Nominal interest rate, %	31 December 2015	31 December 2014
Kazakhstani bonds	KZT	27/12/2005-22/09/2015	27/12/2015-22/09/2025	7.50-9.00	26,249	30,382
					26,249	30,382
Accrued interest					346	480
Total debt securities issued					26,595	30,862

As at 31 December 2015 debt securities issued include debt securities that were issued on 27 December 2005 and matured on 27 December 2015 amounting to KZT 2,062 million. The funds were not transferred to security holders since in accordance with legislation of the Republic of Kazakhstan the Group is allowed to perform repayment during twenty days after maturity date. The bonds were fully repaid on 13 January 2016.

During the year ended 31 December 2015 and 2014, the Bank repaid bonds with nominal value of KZT 6,500 million and KZT 3,447 million respectively.

During the year ended 31 December 2015 and 2014 the Bank has issued new bonds under the previously issued prospectus with par value of KZT 11 million and KZT 25,000 million, respectively.

The Group is obligated to comply with financial covenants in relation to debt securities issued. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. As at 31 December 2015 and 2014 the Group has not breached any of these covenants. Interest on debt securities issued is repayable semiannually.

24. OTHER LIABILITIES

	31 December 2015	31 December 2014
Other financial liabilities:		
Settlements on other transactions	3,182	3,091
Obligations under financial guarantees issued	1,398	2,033
Provision for guarantees and letters of credit (Note 5)	510	1,894
Accrued commission expenses	433	370
Derivative financial instruments (Note 14)	9,769	144
	15,292	7,532
Other non-financial liabilities:		
Taxes payable, other than income tax	1,355	1,391
Other non-financial liabilities	677	607
	2,032	1,998
Total other liabilities	17,324	9,530

Movement in the provision for guarantees and letters of credit for the years ended 31 December 2015 and 2014 are disclosed in Note 5.

25. SUBORDINATED BONDS

	CCY	Issue date	Maturity date	Annual coupon rate %	31 December 2015	31 December 2014
Floating rate	KZT	13/04/2006-27/11/2009	13/04/2016-11/11/2023	4.80-5.40	32,062	38,964
Fixed rate	KZT	27/06/2008-29/09/2015	27/06/2018-29/09/2025	10.00-11.00	29,414	14,484
					61,476	53,448
Accrued interest					705	564
Total subordinated bonds					62,181	54,012

Interest on the subordinated bonds is repayable semiannually, and principal is repayable at the end of the term.

During the year ended 31 December 2015 and 2014 the Bank has issued subordinated bonds under the previously issued prospectus with par value of KZT 16,246 million and KZT 910 million, respectively.

During the year ended 31 December 2015, the Bank repaid subordinated bonds with nominal value of 7,000 million KZT.

In the event of bankruptcy or liquidation of the Group, repayment of all subordinated bonds is subordinate to the repayments of the Group's liabilities to all other creditors.

26. SHARE CAPITAL

As at 31 December 2015 the Bank's share capital comprised the following number of shares:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(872,685)	161,584,115
Preference shares	39,249,255	-	-	39,249,255

As at 31 December 2015 the Bank's share capital represented by:

	Authorized and issued share capital (KZT million)	Repurchased shares (KZT million)	Total (KZT million)
Ordinary shares	58,016	(50)	57,966
Preference shares	11,775	-	11,775
Total	69,791	(50)	69,741

As at 31 December 2014 the Bank's share capital comprised the following number of shares:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(435,452)	162,021,348
Preference shares	39,249,255	-	-	39,249,255

As at 31 December 2014 the Bank's share capital represented by:

	Authorized and issued share capital (KZT million)	Repurchased shares (KZT million)	Total (KZT million)
Ordinary shares	58,051	(35)	58,016
Preference shares	11,775	-	11,775
Total	69,826	(35)	69,791

All ordinary shares are ranked equally, carry one vote, and have no par value.

Preference shares are cumulative and convertible into ordinary shares according to the decision of the Board of Directors, one preferred share can be exchanged for one ordinary share.

According to legislation of the Republic of Kazakhstan on joint stock companies dividends are payable on ordinary shares in the form of money or securities of the Bank on condition that the decision was made at the annual meeting of shareholders of the Bank. In accordance with the Regulation of the Group dividend payments are made on the basis of financial results for the year.

Preference shares have no voting rights and are not redeemable. Preference shares have a right to receive dividends prior to common stockholders. Conversion of preferred shares is performed based on the decision of the Board of Directors. Preference shares receive dividends of KZT 0.01 per share.

	2015 Quantity (in thousands)	2014 Quantity (in thousands)
Preference shares, beginning of the year	39,249	39,249
Preference shares issued	-	-
Preference shares, end of the year	39,249	39,249
Ordinary shares, beginning of the year	162,021	162,289
Treasury shares purchased	(1,871)	(1,062)
Treasury shares sold	1,434	794
Ordinary shares, end of the year	161,584	162,021

	2015 (KZT million)	2014 (KZT million)
Preference shares, beginning of the year	11,775	11,775
Preference shares issued	-	-
Preference shares, end of the year	11,775	11,775
Ordinary shares, beginning of the year	58,016	58,051
Treasury shares purchased	(280)	(173)
Treasury shares sold	230	138
Ordinary shares, end of the year	57,966	58,016

27. FINANCIAL COMMITMENTS AND CONTINGENCIES

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

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

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

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

Provision for losses on financial guarantees and commitments totaled KZT 510 million and KZT 1,894 million as at 31 December 2015 and 2014, respectively.

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

	31 December 2015		31 December 2014	
	Nominal amount	**Risk weighted amount**	**Nominal Amount**	**Risk weighted amount**
Financial guarantees and commitments				
Guarantees issued and similar commitments	97,952	91,466	95,835	90,839
Letters of credit and other transaction related contingent obligations	5,819	1,164	2,591	518
Total financial guarantees and commitments	103,771	92,630	98,426	91,357

The table below summarizes the amounts of financial guarantees and similar commitments secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2015	31 December 2014
Real estate	20,222	13,660
Movables	18,412	24,004
Receivables	14,079	22,216
Cash deposits	6,486	4,996
Corporate guarantees	991	4,631
Goods in turnover	447	285
Land	24	359
Other	3,000	17
Unsecured guarantees	34,291	25,667
Total	97,952	95,835

The table below summarizes the amounts of letters of credit and other transactions related to contingent obligations secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2015	31 December 2014
Cash deposits	5,042	13
Receivables	428	-
Real estate	186	835
Unsecured letters of credit	163	415
Goods in turnover	-	547
Other	-	781
Total	5,819	2,591

Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on the borrowers' financial performance, debt service and other conditions.

Capital commitments

The Group had no material commitments for capital expenditures outstanding as at 31 December 2015 and 2014.

Operating lease commitments

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

Fiduciary activities

In the normal course of its business the Bank enters into agreements with limited right of decision making with clients for management of their assets in accordance with specific criteria established by the client. The Bank may be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The balance of the clients' funds under the management of the Bank as at 31 December 2015 and 2014, including assets under trusteeship are KZT 875,977 million and KZT 543,071 million, respectively.

Managed assets are not included in the consolidated statement of financial position of the Bank, as these assets are not assets of the Bank. The face values of the securities presented below differ from the market value of the indicated securities. Fiduciary assets are divided by face value into the following categories:

	31 December 2015	31 December 2014
Securities	618,226	407,408
Units of investment funds	202,768	129,118
Bank deposits	54,037	5,641
Investments into real estate, cars, equipment, transport and other property	792	773
Other assets	154	131
Total fiduciary assets	875,977	543,071

The Bank maintains the accounting records and prepares financial statements related to the assets and results of operations of the pension and investment funds, which manages assets, other legal entities and operations with their assets, performs reconciliations with the managing companies in respect of served assets in accordance with the requirements of the legislation of the Republic of Kazakhstan and rules of the NBRK.

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 losses will be incurred and respectively no provision has been made in these consolidated financial statements.

Taxation

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

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

Pensions and retirement plans

Employees of the Group receive pension benefits from pension funds in accordance with the laws and regulations of the Republic of Kazakhstan and Russian Federation. As at 31 December 2015 and 2014 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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 the tenge depreciated significantly against major foreign currencies.

Management of the Group is monitoring developments in the current environment and taking measures it considers 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.

28. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2015		31 December 2014	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and cash equivalents	171	242,123	15	112,628
- shareholder	171		15	
Loans to customers and banks, gross	83	1,043,306	107	978,438
- key management personnel of the entity or its parent	83		107	
Allowance for impairment losses on loans to customers and banks	(1)	(151,326)	-	(149,036)
- key management personnel of the entity or its parent	(1)		-	
Due to banks and financial institutions	1	181,548	-	117,880
- key management personnel of the entity or its parent	1		-	
Customer and banks accounts	26,891	1,060,078	24,733	808,296
- key management personnel of the entity or its parent	15,885		17,402	
- close family members of key management personnel	11,006		7,331	
Financial guarantees and commitments	16	103,771	12	98,426
- Others	16		12	

Secured and unsecured loans and guarantees are made to key management personnel of the entity and shareholders in the ordinary course of business. The transactions did not involve more than the normal risk of repayment or present other unfavorable features.

Amounts deposited by the parent and other related parties earn interest at the same rates as those offered to the market or on the same terms and conditions applicable to other employees within the Group.

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

	Year ended 31 December 2015		Year ended 31 December 2014	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	23	97,604	8	90,606
- key management personnel of the entity or its parent	23		8	
Interest expense	(817)	(52,518)	(1,409)	(45,670)
- key management personnel of the entity or its parent	(575)		(1,012)	
- close family members of key management personnel	(242)		(397)	
Operating expenses	(402)	(28,090)	(311)	(24,835)
- key management personnel of the entity or its parent	(402)		(311)	

Key management personnel compensation for the years ended 31 December 2015 and 2014 represent short-term employee benefits. Total remuneration of members of Board of Directors and Management Board amounted to KZT 402 million and to KZT 311 million for the year ended 31 December 2015 and 2014, respectively.

29. SEGMENT REPORTING

Operating segments

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 "Operating segments" and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows:

- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities.
- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Investment banking – representing financial instruments trading, structured financing, money market operations, repo, foreign currency and derivative products, brokerage and asset management services, merger and acquisitions advice, provision of Group's funding through issue of debt securities and attracting loans. This segment is responsible for redistribution of funds attracted by other segments.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Board reviews discrete financial information for each of its segments, including measures of operating income, assets and liabilities. The segments are managed primarily on the basis of their results, which do not include the effects of intercompany eliminations.

Segment assets and liabilities comprise all assets and liabilities, excluding income tax assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. All revenues and expenses are attributable only to external customers, and there are no transactions between business segments.

More specific information on the revenues from external customers for each product and service, or each group of similar products and services is not available and the cost to develop it is excessive. Hence the Group presents operating segments on the basis of three main segments. Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Investment banking	Year ended 31 December 2015
Continuing operations				
Interest income*	44,516	47,462	6,242	98,220
Interest expense*	(15,802)	(29,351)	(7,981)	(53,134)
Provision for impairment losses on interest bearing assets	(15,444)	(14,870)	-	(30,314)
Net non-interest (expenses)/income	(30,004)	(27,617)	78,814	21,193
Operating expenses	(14,111)	(13,626)	(353)	(28,090)
Operating (loss)/profit before income tax and discontinued operations	(30,845)	(38,002)	76,722	7,875
Segment assets**	371,119	929,545	141,599	1,442,263
Segment liabilities**	552,892	585,712	216,859	1,355,463
Other segment items:				
Loans to customers and banks	370,795	521,185	-	891,980
Customer and bank accounts	545,418	514,660	-	1,060,078
Financial guarantees and commitments	-	103,771	-	103,771
Depreciation and amortization	(1,029)	(994)	(26)	(2,049)

*- interest income and interest expense, include non-eliminated intercompany transactions in the amount of KZT 616 million, KZT (616) million, respectively.

**- Excluding current income tax assets and deferred tax liabilities. Income tax expense is unallocated.

	Retail banking	Corporate banking	Investment banking	Year ended 31 December 2014
Continuing operations				
Interest income*	40,914	45,103	4,907	90,924
Interest expense*	(16,489)	(20,714)	(8,785)	(45,988)
Provision/(recovery) for impairment losses on interest bearing assets	5,634	(47,774)	-	(42,140)
Net non-interest income	6,553	19,483	339	26,375
Operating expenses	(12,444)	(12,067)	(324)	(24,835)
Operating profit/(loss) before income tax	24,168	(15,969)	(3,863)	4,336
Segment assets**	352,700	652,166	100,248	1,105,114
Segment liabilities**	336,202	539,934	144,444	1,020,580
Other segment items:				
Loans to customers and banks	353,298	476,104	-	829,402
Customer and bank accounts	335,606	472,690	-	808,296
Financial guarantees and commitments	-	98,426	-	98,426
Depreciation and amortization	(919)	(891)	(24)	(1,834)

*- interest income and interest expense, include non-eliminated intercompany transactions in the amount of KZT 318 million, KZT (318) million, respectively.

**- Excluding current income tax assets and deferred income tax liabilities. Income tax expense is unallocated.

All operations of the Group are conducted within the Republic of Kazakhstan.

30. TRANSFERRED FINANCIAL ASSETS

Transfers that did not qualify for derecognition of the financial asset in its entirety

Securities lending and repurchase agreements

The Group enters into repo and reverse repo transactions on a regular basis. The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These transactions are conducted under KASE terms. The Group has determined that it retains substantially all the risks and rewards of these securities, which includes credit risk, market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

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

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

	Financial assets at fair value through profit or loss (Note 14)	Investments available-for-sale (Note 15)	Investments held to maturity (Note 16)	Total
Total carrying amount of the original assets before the transfer	6,371	43,539	-	49,910
As at 31 December 2015:				
Carrying amount of assets	6,371	43,539	-	49,910
Carrying amount of associated liabilities (Loans under repurchase agreements)	6,092	41,726	-	47,818
As at 31 December 2014:				
Carrying amount of assets	8,727	4,015	3,117	15,859
Carrying amount of associated liabilities (Loans under repurchase agreements)	8,117	3,751	3,000	14,868

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes unlisted equity securities.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobser-vable input(s)	Relation-ship of unobservable inputs to fair value
	31 December 2015	31 December 2014				
Non-derivative financial assets at fair value through profit or loss - debt securities (Note 14)	12,018	20,407	Level 1	Quoted bid prices in an active market.	N/A	N/A
Non-derivative financial assets at fair value through profit or loss- equity securities (Note 14)	527	646	Level 1	Quoted bid prices in an active market.	N/A	N/A
Non-derivative investments available-for-sale-debt securities (Note 15)	96,531	53,439	Level 1	Quoted bid prices in an active market.	N/A	N/A
Derivative financial assets (Note 14)	-	3	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).	N/A	N/A
Derivative financial liabilities (Note 14)	-	16	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).	N/A	N/A
Derivative financial assets (Note 14)	91,205	3,241	Level 3	Discounted cash flows. USD part was calculated using observable inputs and spot rates, KZT part was calculated using implied rate by calibration to market	KZT implied rate	The greater KZT implied rate – the smaller fair value
Derivative financial liabilities (see Note 14)	9,769	128	Level 3	Discounted cash flows. USD part was calculated using observable inputs and spot rates, KZT part was calculated using implied rate by calibration to market	KZT implied rate	The greater KZT implied rate – the smaller fair value

The reconciliation of Level 3 fair value measurements of financial assets is presented as follows:

	Derivative financial assets	Derivative financial liabilities
31 December 2013	-	-
Total gains/(losses) recognized in profit/(loss):	765	(102)
Purchases	2,476	(26)
31 December 2014	**3,241**	**(128)**
Total gains/(losses) recognized in profit/(loss):	87,472	(9,515)
Settlements	492	(126)
31 December 2015	**91,205**	**(9,769)**

There were no transfers between Level 1 and 2 in the period.

As at 31 December 2015 and 2014, equity securities included in investments available for sale amounted to KZT 149 million and KZT 137 million, respectively, are carried at cost because it is practically difficult to quantify the intrinsic value of the equity securities issued by unlisted entities. In addition, probabilities and range of estimated cash flows of the unlisted equity securities cannot be reasonably assessed.

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)

Except as detailed below, the Management of the Group considers that the fair value of financial assets and liabilities approximates their carrying value (the fair value of which varies from carrying value within the range of 5%):

	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans to customers and banks	891,980	810,806	829,402	691,046
Customer and bank accounts	1,060,078	1,047,618	808,296	782,319
Debt securities issued	26,595	23,794	30,862	30,678
Subordinated bonds	62,181	52,789	54,012	51,216

The carrying amount of cash and cash equivalents, due from banks, other financial assets and other financial liabilities approximates fair value due to short-term nature of such financial assets.

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Loans to customers and banks	-	-	810,806	810,806
Customer and bank accounts	-	1,047,618	-	1,047,618
Debt securities issued	23,794	-	-	23,794
Subordinated bonds	52,789	-	-	52,789

	31 December 2014			
	Level 1	Level 2	Level 3	Total
Loans to customers and banks		-	691,046	691,046
Customer and bank accounts	-	782,319	-	782,319
Debt securities issued	30,678	-	-	30,678
Subordinated bonds	51,216	-	-	51,216

Fair value of subordinated bonds was calculated based on quoted market prices.

Fair value of loans to customers and banks was determined on the basis of contractual cash flows discounted at market rates, published by NBRK and prevailed at the year end and adjusted for credit risk of counterparties.

32. REGULATORY MATTERS

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes:

Composition of regulatory capital	31 December 2015	31 December 2014
Tier 1		
Share capital	69,741	69,791
Retained earnings	19,078	17,162
Non-controlling interest	353	416
Total qualifying tier 1 capital	89,172	87,369
Tier 2		
Qualified subordinated debt	44,586	43,685
Perpetual debt	26,513	13,600
Other reserves	(2,992)	(1,890)
Total qualifying tier 2 capital	68,107	55,395
Total regulatory capital	157,279	142,764
Risk weighted assets	1,111,246	929,135
Tier 1 capital ratio	8.02%	9.40%
Total capital adequacy ratio	14.15%	15.37%

Quantitative measures established by the Basel Capital Accord 1988 (Basel 1) to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total capital adequacy (8%) and tier 1 capital (4%) to risk weighted assets.

The total capital adequacy ratio was calculated according to the principles employed by the Basel 1 by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses.

Estimation	Description of position
0%	Cash and balances with national (central) banks
0%	State debt securities
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

As at 31 December 2015 and 2014 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors. Other reserves, included in tier 2, are represented by investment available-for-sale fair value reserve and foreign currency translation reserve.

Capital risk management

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

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Notes 21 and 25, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board reviews the capital structure on a quarterly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall capital risk management policy remains unchanged from 2014.

33. RISK MANAGEMENT POLICIES

Management of risk 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

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.

Risk management and monitoring is performed within set limits of authority. These processes are performed by the Credit Committees and the Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved monthly, quarterly and annually by the Management Board, depending on the level of credit risk. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees. However, a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of the 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 customers maintaining specific credit standards. The Group applies the same credit policy to financial guarantees as it does to the balance sheet financial instruments, 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.

Maximum exposure

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

The following table presents the maximum exposure to credit risk of balance sheet financial assets. For financial assets in the consolidated statement of financial position, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. Except as detailed in the following table, the maximum exposure for financial assets after offset and collateral pledged approximates, net exposure.

As at 31 December 2015:

	Maximum exposure	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Loans to customers and banks	891,980	891,980	870,033	21,947
Contingent liabilities and credit commitments	103,771	103,771	69,317	34,454

As at 31 December 2014:

	Maximum exposure	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Loans to customers and banks	829,402	829,402	803,082	26,320
Contingent liabilities and credit commitments	98,426	98,426	72,344	26,082

Off-balance sheet risk

The Group applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Collateral

Collateral value is assessed at the issuance of the loan. Valuation of collateral is updated in accordance with the Collateral Policy of the Group.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions – securities;
- For commercial lending – charges over real estate properties, inventory; and
- For retail lending – mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Renegotiated loans and advances

Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

Credit quality by class of financial assets

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Standard and Poor's, Fitch and Moody's Investors Service. 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 as at 31 December 2015 and 2014:

	AA	A	BBB	<BBB	Not rated	Total at 31 December 2015
Cash equivalents	2,102	849	171,954	24,914	353	200,172
Obligatory reserves	-	-	15,951	-	-	15,951
Financial assets at fair value through profit or loss	60	9	91,342	11,077	1,262	103,750
Investments available-for-sale	-	-	58,604	36,530	1,546	96,680
Investments held to maturity	-	292	1,070	4,613	635	6,610
Due from banks	-	2,703	977	6,493	-	10,173
Loans to customers and banks	-	-	-	2,948	889,032	891,980
Other financial assets	-	-	-	-	9,213	9,213

	AA	A	BBB	<BBB	Not rated	Total at 31 December 2014
Cash equivalents	615	12,133	63,090	405	651	76,894
Obligatory reserves	-	-	17,321	-	-	17,321
Financial assets at fair value through profit or loss	-	-	13,098	10,605	594	24,297
Investments available-for-sale	-	-	36,659	16,781	136	53,576
Investments held to maturity	-	298	6,440	2,906	-	9,644
Due from banks	-	1,446	5,830	1,072	-	8,348
Loans to customers and banks	-	-	2,327	1,994	825,081	829,402
Other financial assets	-	-	-	-	5,229	5,229

The banking industry is generally exposed to credit risk through its financial assets and financial guarantees and commitments, loans to customers and inter bank deposits. With regard to the loans to customers this risk exposure 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.

The Group enters into numerous transactions where the counterparties are not rated by international rating agencies. The Group has developed internal models, which allow it to determine the rating of counterparties, which are comparable to ratings of international rating agencies. These models include rating models for corporate customers and scoring models for individuals and small business.

Rating model

The Group has developed an internal rating model, based on the principles and methods used by international rating agencies for the assessment of credit risk of corporate borrowers. The rating of a corporate borrower is based on an analysis of the financial ratios of the borrower, and an analysis of the market and industry sector, in which the borrower operates. The model also takes into consideration various qualitative factors, such as management efficiency and the borrower's market share.

The application of the internal rating model results in a standardized approach in the analysis of corporate borrowers and provides a quantitative assessment of the creditworthiness of a borrower that does not have a rating from an international rating agency. The model takes into account specific local market conditions.

The quality of the internal rating model is examined on a regular basis through an assessment of both its effectiveness and validity. The Group revises the model when deficiencies are identified.

Scoring models

The Group uses scoring models as a statistical tool in relation to newly issued loans to assess the future creditworthiness of new and existing borrowers of the Group. Scoring models are applied for assessment of the credit risk of individuals.

The scoring models interpret socio-demographic and financial indicators, behavioural variables, the credit history of borrowers and historic data from external sources, such as Credit Bureau reports. Each of the parameters inserted into scoring model has a numeric value, the sum of which represents the borrower's internal credit score (rating). The assigned score reflects the probability of default of the borrower.

The scoring models standardize and automate the process of decision making and decrease the operating expenses and operational risks of the Group. The scoring model is also used in the internal management decision making process as it permits the forecasting of profits and losses of the credit departments. The scoring model is assessed on a continual basis for its effectiveness and validity.

The Group applies internal rating and scoring methodologies to specific corporate loans and groups of retail and small business loans, which incorporate various underlying master scales that are different from that used by international rating agencies. The scoring methodologies are tailor-made for specific products and are applied during the stage of making decision on loan issuance.

The following table details the carrying value of financial assets before impairment loss:

As at 31 December 2015:

	Neither past due nor impaired	Financial assets past due but not impaired				Financial assets that have been impaired		Total
		Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year	Collectively	Individually	
Cash equivalents	200,172	-	-	-	-	-	-	200,172
Obligatory reserves	15,951	-	-	-	-	-	-	15,951
Financial assets at fair value through profit or loss	103,750	-	-	-	-	-	-	103,750
Investments available-for-sale	96,680	-	-	-	-	-	-	96,680
Investments held to maturity	6,610	-	-	-	-	-	-	6,610
Due from banks	10,173	-	-	-	-	-	-	10,173
Loans to customers and banks	615,739	31,207	7,059	8,754	13,819	81,833	284,895	1,043,306
Other financial assets	9,213	-	-	-	-	-	1,504	10,717

As at 31 December 2014:

	Neither past due nor impaired	Financial assets past due but not impaired				Financial assets that have been impaired		Total
		Up to 3 months	From 3 to 6 months	From 6 months to 1 year	More than 1 year	Collectively	Individually	
Cash equivalents	76,894	-	-	-	-	-	-	76,894
Obligatory reserves	17,321	-	-	-	-	-	-	17,321
Financial assets at fair value through profit or loss	24,297	-	-	-	-	-	-	24,297
Investments available-for-sale	53,576	-	-	-	-	-	-	53,576
Investments held to maturity	9,644	-	-	-	-	-	-	9,644
Due from banks	8,348	-	-	-	-	-	-	8,348
Loans to customers and banks	550,244	23,833	5,730	8,136	28,241	69,186	293,068	978,438
Other financial assets	5,229	-	-	-	-	-	1,608	6,837

Geographical concentration

The Finance and Risk Management Committee ("FRMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan.

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

	Kazakhstan	Other non-OECD countries	OECD countries	31 December 2015 Total
Financial assets:				
Cash and cash equivalents	235,521	2,284	4,318	242,123
Obligatory reserves	15,951	-	-	15,951
Financial assets at fair value through profit or loss	103,576	-	174	103,750
Investments available-for-sale	94,794	1,867	19	96,680
Investments held to maturity	6,318	-	292	6,610
Due from banks	7,470	-	2,703	10,173
Loans to customers and banks	876,943	14,848	189	891,980
Other financial assets	9,213	-	-	9,213
Total financial assets	1,349,786	18,999	7,695	1,376,480
Financial liabilities:				
Due to banks and financial institutions	129,282	531	51,735	181,548
Customer and bank accounts	1,060,078	-	-	1,060,078
Debt securities issued	26,595	-	-	26,595
Other financial liabilities	15,292	-	-	15,292
Subordinated bonds	62,181	-	-	62,181
Total financial liabilities	1,293,428	531	51,735	1,345,694
Net position	56,358	18,468	(44,040)	

	Kazakhstan	Other non-OECD countries	OECD Countries	31 December 2014 Total
Financial assets:				
Cash and cash equivalents	98,882	1,057	12,689	112,628
Obligatory reserves	17,136	185	-	17,321
Financial assets at fair value through profit or loss	18,888	5,409	-	24,297
Investments available-for-sale	49,229	4,336	11	53,576
Investments held to maturity	9,346	-	298	9,644
Due from banks	6,902	-	1,446	8,348
Loans to customers and banks	809,105	20,286	11	829,402
Other financial assets	5,190	39	-	5,229
Total financial assets	1,014,678	31,312	14,455	1,060,445
Financial liabilities:				
Due to banks and financial institutions	89,217	5,122	23,541	117,880
Customer and bank accounts	804,203	4,074	19	808,296
Debt securities issued	30,862	-	-	30,862
Other financial liabilities	7,473	59	-	7,532
Subordinated bonds	54,012	-	-	54,012
Total financial liabilities	985,767	9,255	23,560	1,018,582
Net position	28,911	22,057	(9,105)	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. The Department of Planning and Finance determines the optimum structure of balance and limits on liquidity ratios. Gap-positions are approved by the FRMC. The Risk Department performs monitoring of liquidity ratios.

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 possible contractual maturity, except for financial assets at fair value through profit or loss and investments available-for-sale, which are based on expected maturity. The presentation below is based upon the information provided internally to key management personnel of the entity.

	Weighted average effective interest rate	On demand and 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
Financial assets:							
Cash and cash equivalents	2.41%	21,250	3,372	-	-	-	24,622
Financial assets at fair value through profit or loss	7.19%	103,223	-	-	-	-	103,223
Investments available-for-sale	7.12%	96,531	-	-	-	-	96,531
Investments held to maturity	4.51%	-	292	587	5,684	47	6,610
Due from banks	2.34%	2,703	-	5,104	-	-	7,807
Loans to customers and banks	8.98%	99,270	47,877	170,618	324,682	249,533	891,980
Total interest bearing financial assets		322,977	51,541	176,309	330,366	249,580	1,130,773
Cash and cash equivalents		217,501	-	-	-	-	217,501
Obligatory reserves		15,951	-	-	-	-	15,951
Financial assets at fair value through profit or loss		527	-	-	-	-	527
Investments available-for-sale		149	-	-	-	-	149
Due from banks		2,366	-	-	-	-	2,366
Other financial assets		9,213	-	-	-	-	9,213
Total financial assets		568,684	51,541	176,309	330,366	249,580	1,376,480
Financial liabilities:							
Due to banks and financial Institutions	8.56%	52,481	9,920	29,796	37,177	51,005	180,379
Customer and bank accounts	4.62%	59,300	161,255	314,883	209,090	24,209	768,737
Debt securities issued	7.80%	2,062	-	346	24,185	2	26,595
Subordinated bonds	7.56%	-	411	9,261	20,818	31,691	62,181
Total interest bearing financial liabilities		113,843	171,586	354,286	291,270	106,907	1,037,892
Due to banks and financial institutions		1,169	-	-	-	-	1,169
Customer and banks accounts		291,341	-	-	-	-	291,341
Other financial liabilities		15,292	-	-	-	-	15,292
Total financial liabilities		421,645	171,586	354,286	291,270	106,907	1,345,694
Liquidity gap		147,039	(120,045)	(177,977)	39,096	142,673	
Interest sensitivity gap		209,134	(120,045)	(177,977)	39,096	142,673	
Cumulative interest sensitivity gap		209,134	89,089	(88.888)	(49,792)	92,881	
Cumulative interest sensitivity gap as a percentage of total financial assets		15.19%	6.47%	(6.46%)	(3.62%)	6.75%	

	Weighted average effective interest rate	On demand and 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
Financial assets:							
Financial assets at fair value through profit or loss	7.19%	23,651	-	-	-	-	23,651
Investments available-for-sale	5.62%	53,439	-	-	-	-	53,439
Investments held to maturity	8.05%	6,395	939	322	1,870	118	9,644
Due from banks	0.15%	1,353	-	-	-	-	1,353
Loans to customers and banks	9.10%	82,816	60,530	178,117	334,964	172,975	829,402
Total interest bearing financial assets		167,654	61,469	178,439	336,834	173,093	917,489
Cash and cash equivalents		112,628	-	-	-	-	112,628
Obligatory reserves		17,321	-	-	-	-	17,321
Financial assets at fair value through profit or loss		646	-	-	-	-	646
Investments available-for-sale		137	-	-	-	-	137
Due from banks		6,995	-	-	-	-	6,995
Other financial assets		5,229	-	-	-	-	5,229
Total financial assets		310,610	61,469	178,439	336,834	173,093	1,060,445
Financial liabilities:							
Due to banks and financial institutions	3.86%	16,104	33,238	9,043	30,419	28,370	117,174
Customer and bank accounts	4.99%	85,061	138,329	221,835	84,411	1,791	531,427
Debt securities issued	7.85%	-	132	6,805	23,925	-	30,862
Subordinated bonds	8.85%	-	65	7,432	29,775	16,740	54,012
Total interest bearing financial liabilities		101,165	171,764	245,115	168,530	46,901	733,475
Due to banks and financial institutions		706	-	-	-	-	706
Customer and bank accounts		276,869	-	-	-	-	276,869
Other financial liabilities		7,532	-	-	-	-	7,532
Total financial liabilities		386,272	171,764	245,115	168,530	46,901	1,018,582
Liquidity gap		(75,662)	(110,295)	(66,676)	168,304	126,192	
Interest sensitivity gap		66,489	(110,295)	(66,676)	168,304	126,192	
Cumulative interest sensitivity gap		66,489	(43,806)	(110,482)	57,822	184,014	
Cumulative interest sensitivity gap as a percentage of total financial assets		6.27%	(4.13%)	(10.42%)	5.45%	17.35%	

In accordance with Kazakhstani legislation, depositors can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest.

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

The Group considers to be financial assets at fair value through profit or loss and investments available-for-sale as liquid investments that can be sold in short-term period and classifies them as on demand.

A further analysis of the liquidity and interest rate risks 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 statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the statement of financial position under the effective interest rate method. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate yield curves at the end of the reporting period.

	On demand and 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
Financial liabilities:						
Due to banks and financial institutions	53,942	10,654	32,480	46,215	57,020	200,311
Customer and bank accounts	59,301	161,299	315,604	233,272	25,932	795,408
Debt securities issued	2,062	-	1,950	28,379	14	32,405
Subordinated bonds	-	5,033	8,525	35,106	44,328	92,992
Total interest bearing financial liabilities	115,305	176,986	358,559	342,972	127,294	1,121,116
Due to banks and financial institutions	1,169	-	-	-	-	1,169
Customer and banks accounts	291,340	-	-	-	-	291,340
Other financial liabilities	15,292	-	-	-	-	15,292
Total financial liabilities	423,106	176,986	358,559	342,972	127,294	1,428,917
Financial guarantees and commitments	103,771	-	-	-	-	103,771
Derivative financial instruments	-	25,402	86,696	-	-	112,098

	On demand and 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
Financial liabilities:						
Due to banks and financial institutions	17,654	34,424	10,937	51,111	17,840	131,966
Customer and bank accounts	47,424	137,892	227,437	95,287	26,691	534,731
Debt securities issued	-	178	8,796	30,325	-	39,299
Subordinated bonds	-	563	11,017	42,328	22,265	76,173
Total interest bearing financial liabilities	65,078	173,057	258,187	219,051	66,796	782,169
Due to banks and financial institutions	706	-	-	-	-	706
Customer and banks accounts	288,550	-	-	-	-	288,550
Other financial liabilities	7,532	-	-	-	-	7,532
Total financial liabilities	361,866	173,057	258,187	219,051	66,796	1,078,957
Financial guarantees and commitments	98,426	-	-	-	-	98,426
Derivative financial instruments	-	-	8,601	86,627	-	95,228

The timing of cash outflows has been prepared on the following basis:

Derivative financial instruments

Contractual payments for derivative financial instruments are determined based on gross settlements due to initial and final exchange of notional amounts and applicable interest rates in accordance with the terms of these financial instruments.

Prepaid liabilities

Where a financial liability can be prepaid by the counterparty, the cash outflow has been included at the earliest date on which the counterparty can require repayment regardless whether or not such early repayment results in a penalty. If the repayment of financial liability is triggered by, or is subject to, specific criteria such as market price hurdles being reached, it is included at the earliest possible date that the conditions could be fulfilled without considering probability of the conditions being met.

The financial guarantees and commitments are included in the "On demand" category because payments can be required upon request.

Market Risk

Market risk is the risk that the Group's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2015.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The FRMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Department of Planning and Finance conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate sensitivity

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Planning and Finance conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

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 and 2014 and the effect of revaluation instruments with fixed rates accounted at fair value. 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 investments available-for-sale securities with fixed rates.

Impact on profit before tax based on asset values as at 31 December 2015 and 2014:

	As at 31 December 2015		As at 31 December 2014	
	Interest rate +1.50%	Interest rate -1.50%	Interest rate +1.00%	Interest rate -1.00%
Financial assets:				
Financial assets at fair value through profit or loss	(2)	2	(128)	137
Investments available-for-sale	-	-	(9)	8
Investments held to maturity	5	(5)	(102)	104
Financial liabilities:				
Due to banks and financial institutions	(66)	66	(120)	120
Net impact on profit before tax	(63)	64	(359)	369

Impact on shareholders equity:

	As at 31 December 2015		As at 31 December 2014	
	Interest rate +1.50%	Interest rate -1.50%	Interest rate +1.0%	Interest rate -1.00%
Financial assets:				
Financial assets at fair value through profit or loss	(2)	2	(102)	110
Investments available-for-sale	(5,563)	6,135	(1,507)	1,590
Investments held to maturity	4	(4)	(82)	83
Financial liabilities:				
Due to banks and financial institutions	(53)	53	(96)	96
Net impact on shareholders equity	(5,614)	6,186	(1,787)	1,879

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. The Risk Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Management and the Board of Directors. The Treasury Department performs monitoring of the Group's currency position with the aim to match the requirements of the NBRK.

Group's exposure to foreign currency exchange rate risk as at 31 December 2015 is presented in the tables below:

	KZT	USD 1 USD = 340.01 KZT	EUR 1 EUR = 371.46 KZT	Other currencies	31 December 2015 Total
Financial assets:					
Cash and cash equivalents	6,466	218,897	13,067	3,693	242,123
Obligatory reserves	15,951	-	-	-	15,951
Financial assets at fair value through profit or loss	103,479	267	-	4	103,750
Investments available-for-sale	38,200	51,313	7,167	-	96,680
Investments held to maturity	2,018	4,047	545	-	6,610
Due from banks	980	9,193	-	-	10,173
Loans to customers and banks	691,718	198,578	1,684	-	891,980
Other financial assets	8,737	371	102	3	9,213
Total financial assets	867,549	482,666	22,565	3,700	1,376,480
Financial liabilities:					
Due to banks and financial institutions	147,048	32,941	1,559	-	181,548
Customer and bank accounts	396,873	637,521	20,916	4,768	1,060,078
Debt securities issued	26,595	-	-	-	26,595
Other financial liabilities	13,598	1,521	126	47	15,292
Subordinated bonds	62,181	-	-	-	62,181
Total financial liabilities	646,295	671,983	22,601	4,815	1,345,694
Open position	221,254	(189,317)	(36)	(1,115)	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2015:

	KZT	USD 1 USD = 340.01 KZT	EUR 1 EUR = 371.46 KZT	Other currencies	31 December 2015 Total
Accounts receivable on spot and derivative contracts	11,111	204,346	-	-	215,457
Accounts payable on spot and derivative contracts	(114,359)	(20,741)	-	-	(135,100)
Net spot and derivative financial instruments position	(103,248)	183,605	-	-	80,357
Total open position	118,006	(5,712)	(36)	(1,115)	

The Group's exposure to foreign currency exchange rate risk as at 31 December 2014 is presented in the table below:

	KZT	USD 1 USD = 182.35 KZT	EUR 1 EUR = 221.59 KZT	Other currencies	31 December 2014 Total
Financial assets:					
Cash and cash equivalents	21,220	74,417	15,664	1,327	112,628
Obligatory reserves	17,136	-	-	185	17,321
Financial assets at fair value through profit or loss	15,420	3,464	-	5,413	24,297
Investments available-for-sale	40,251	11,036	2,114	175	53,576
Investments held to maturity	7,717	1,927	-	-	9,644
Due from banks	5,832	2,516	-	-	8,348
Loans to customers and banks	682,020	140,289	3,136	3,957	829,402
Other financial assets	4,729	397	55	48	5,229
Total financial assets	794,325	234,046	20,969	11,105	1,060,445
Financial liabilities:					
Due to banks and financial institutions	90,026	21,350	1,606	4,898	117,880
Customer and bank accounts	408,024	377,521	18,331	4,420	808,296
Debt securities issued	30,862	-	-	-	30,862
Other financial liabilities	5,921	1,335	165	111	7,532
Subordinated bonds	54,012	-	-	-	54,012
Total financial liabilities	588,845	400,206	20,102	9,429	1,018,582
Open position	205,480	(166,160)	867	1,676	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2014:

	KZT	USD 1 USD = 182.35 KZT	EUR 1 EUR = 221.59 KZT	Other currencies	31 December 2014 Total
Accounts receivable on spot and derivative contracts	11,556	169,295	129	355	181,335
Accounts payable on spot and derivative contracts	(166,394)	(11,568)	-	(2,873)	(180,835)
Net spot and derivative financial instruments position	(154,838)	157,727	129	(2,518)	500
Total open position	50,642	(8,433)	996	(842)	

Currency risk sensitivity

The FRMC and Small Risk Committee controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of the NBRK.

A VaR calculation is used to determine the Group's exposure to currency risk, and is based on statistical data for previous periods Historical VaR assuming the following:

- benchmark data – average KASE rate used by the Group to recalculate currency positions;
- length of period – one year from the calculation date (252 working days);
- confidence interval – 95%; and
- positions are assessed for each risk currency, i.e. those which are more than 5% of the Group's equity.

The aim of this method is to assess the risk of a potential negative revaluation of the Group's open currency positions in order to ensure effective management of market currency risks.

The table below indicates the currencies in which the Group had significant exposure as at 31 December 2015 and 2014 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 statement of profit or loss. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss, while a positive amount reflects a net potential increase.

Impact on net profit and equity based on asset values as at 31 December 2015 and 2014:

	As at 31 December 2015		**As at 31 December 2014**	
	KZT/USD +24.11%	**KZT/USD -11.77%**	**KZT/USD +1.65%**	**KZT/USD -8.23%**
Impact on profit or loss and equity	(44,659)	21,793	(3,125)	15,718

	As at 31 December 2015		**As at 31 December 2014**	
	KZT/EUR +24.11%	**KZT/EUR -11.77%**	**KZT/EUR +1.09%**	**KZT/EUR -10.69%**
Impact on profit or loss and equity	(30)	14	(2)	(24)

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 statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder 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; and the assumption that all interest rates move in an identical fashion.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or 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.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

The table below represents an analysis of sensitivity to price risk based on the balance sheet position for investments in securities at the reporting date.

The results of the analysis of the sensitivity of the Groups profit before tax for the year to changes in prices of securities on a simplified scenario of 10% symmetrical increase or decrease in all securities prices for 2015 and 2014, respectively, are given in the table below:

	31 December 2015		31 December 2014	
	10% increase in equity securities price	10% decrease in equity securities price	10% increase in equity securities Price	10% decrease in equity securities Price
Impact on profit or loss before tax	96	(96)	71	(71)

	31 December 2015		31 December 2014	
	10% increase in equity securities price	10% decrease in equity securities price	10% increase in equity securities Price	10% decrease in equity securities Price
Impact on profit or loss and equity	77	(77)	57	(57)

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

34. SUBSEQUENT EVENTS

On 20 January 2016 the Group sold its 100% shareholding in the subsidiary LLC Bank BCC-Moscow for consideration of RUR 410,960,000.

On 28 January 2016 the Group obtained a waiver from Citibank International Plc to 31 December 2015.