Mortgage Organisation
Kazakhstan Mortgage Company JSC

Consolidated Financial Statements

for the year ended 31 December 2015

Contents

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Independent Auditors' Report

To the Board of Directors of Mortgage Organisation Kazakhstan Mortgage Company JSC

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Ravshan Irmatov
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No МФ-0000053 of 6 January 2012

KPMG Audit LLC

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

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

29 February 2016

	Note	2015 KZT'000	2014 KZT'000
Interest income	4	18,217,552	15,782,259
Interest expense	4	(11,084,491)	(11,606,101)
Net interest income		**7,133,061**	**4,176,158**
Fee and commission income		1,284	1,860
Fee and commission expense		(390,976)	(394,088)
Net fee and commission expense		**(389,692)**	**(392,228)**
Net gain on available-for-sale financial assets		2,294	-
Net foreign exchange gain	5	2,037,785	46,519
Net loss from repurchase of debt securities issued		(1,718)	(65,424)
Other operating income		425,293	184,370
Operating income		**9,207,023**	**3,949,395**
Impairment losses	6	(1,029,142)	(604,651)
Personnel expenses	7	(1,499,321)	(1,163,931)
General administrative expenses	8	(1,181,768)	(715,176)
Profit before income tax		**5,496,792**	**1,465,637**
Income tax expense	9	(1,670,970)	(281,628)
Profit for the year		**3,825,822**	**1,184,009**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		(986,355)	(265,028)
- Net change in fair value transferred to profit or loss		(2,294)	-
Other comprehensive income for the year, net of income tax		**(988,649)**	**(265,028)**
Total comprehensive income for the year		**2,837,173**	**918,981**
Basic and diluted earnings per share, in KZT	24(f)	688	223

The consolidated financial statements as set out on pages 5 to 55 were approved by Management on 29 February 2016 and were signed on its behalf by:

Dosmukhametov B.S.
Acting chairman of the Management Board

«ҚАЗАҚСТАН ИПОТЕКАЛЫҚ КОМПАНИЯСЫ» ИПОТЕКАЛЫҚ ҰЙЫМЫ

Toktarkozha A.T.
Chief Accountant

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

	Note	2015 KZT'000	2014 KZT'000
ASSETS			
Cash and cash equivalents	10	26,811,589	13,970,781
Placements with banks and other financial institutions	11	17,337,140	24,361,759
Available-for-sale financial assets	12	13,960,071	9,632,176
Loans to customers	13	81,755,207	87,193,112
Finance lease receivables	14	31,434,418	2,325,891
Held-to-maturity investments		-	10,231,995
Current tax asset		2,310,235	1,310,488
Advances paid under finance lease agreements	15	25,916,895	1,670,392
Assets to be transferred under finance lease agreements	16	26,503,605	2,482,252
Construction in progress	17	9,644,010	6,339,486
Property and equipment		1,743,083	1,727,239
Investment property		1,606,119	1,466,929
Deferred tax asset	9	83,847	1,754,817
Other assets	18	4,433,235	2,867,676
Total assets		**243,539,454**	**167,334,993**
LIABILITIES			
Debt securities issued	19	57,983,488	77,188,204
Subordinated debt securities issued	20	9,981,675	9,809,666
Other borrowed funds	21	40,060,673	28,808,521
Deferred income	22	78,088,020	-
Other liabilities	23	10,025,810	6,610,782
Total liabilities		**196,139,666**	**122,417,173**
EQUITY	24		
Share capital		58,113,800	58,113,800
Share premium		12,661	12,661
Treasury shares		(2,597,522)	(2,597,522)
Additional paid-in capital		5,822,856	5,822,856
Reserve capital		2,734,447	2,734,447
Revaluation reserve for available-for-sale financial assets		(1,718,884)	(730,235)
Accumulated losses		(14,967,570)	(18,438,187)
Total equity		**47,399,788**	**44,917,820**
Total equity and liabilities		**243,539,454**	**167,334,993**

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

	2015 KZT'000	2014 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**5,496,792**	**1,465,637**
Adjustments for non-cash items:		
Depreciation and amortisation	93,931	109,358
Impairment losses	1,029,142	604,651
Interest income	(18,217,552)	(15,782,259)
Interest expense	11,084,491	11,606,101
Net foreign exchange gain	(2,037,785)	(46,519)
Net gain on available-for-sale financial assets	(2,294)	-
Net loss from repurchase of debt securities issued	1,718	65,424
	(2,551,557)	**(1,977,607)**
(Increase) decrease in operating assets		
Placements with banks and other financial institutions	17,075,105	(5,795,436)
Loans to customers	12,904,195	15,012,690
Finance lease receivables	(29,413,402)	(2,312,552)
Advances paid under finance lease agreements	(24,246,503)	(1,670,392)
Assets to be transferred under finance lease agreements	(24,021,353)	(2,482,252)
Construction in progress	(3,304,524)	(4,896,968)
Other assets	(1,605,696)	(836,958)
Increase (decrease) in operating liabilities		
Other liabilities	1,170,652	(52)
Net cash used in operating activities before interest and income tax paid	**(53,993,083)**	**(4,959,527)**
Income tax paid	(1,007,242)	(502,853)
Interest received	15,908,889	14,226,691
Interest paid	(8,774,182)	(9,045,616)
Cash flows used in operations	**(47,865,618)**	**(281,305)**

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

	2015 KZT'000	2014 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale and redemption of held-to-maturity investments (Note 12)	3,710,029	669,120
Redemption and sale of available-for-sale financial assets	748,360	471,509
Acquisition of available-for-sale financial assets	-	(1,186,321)
Purchases of property, equipment and intangible assets	(129,711)	(155,069)
Sales of investment property	65,190	238,031
Cash flows from investing activities	**4,393,868**	**37,270**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	14,193,800
Proceeds from debt securities issued	-	6,896,272
Repurchase/redemption of debt securities issued	(32,494,767)	(15,768,569)
Receipts of other borrowed funds	92,500,000	-
Repayment of other borrowed funds	(3,633,333)	-
Dividends paid	(355,205)	-
Cash flows from financing activities	**56,016,695**	**5,321,503**
Net increase in cash and cash equivalents	**12,544,945**	**5,077,468**
Effect of changes in exchange rates on cash and cash equivalents	295,863	346,976
Cash and cash equivalents at the beginning of the year	13,970,781	8,546,337
Cash and cash equivalents at the end of the year (Note 10)	**26,811,589**	**13,970,781**

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

KZT'000	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Balance as at 1 January 2014	43,920,000	12,661	(2,597,522)	5,822,856	2,734,447	(465,207)	(19,622,196)	29,805,039
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	1,184,009	1,184,009
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(265,028)	-	(265,028)
Total other comprehensive income	-	-	-	-	-	(265,028)	-	(265,028)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(265,028)**	**1,184,009**	**918,981**
Transactions with owners, recorded directly in equity								
Shares issued	14,193,800	-	-	-	-	-	-	14,193,800
Balance as at 31 December 2014	**58,113,800**	**12,661**	**(2,597,522)**	**5,822,856**	**2,734,447**	**(730,235)**	**(18,438,187)**	**44,917,820**

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

KZT'000	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	Revaluation reserve for available-for-sale financial assets	Accumulated losses	Total
Balance as at 1 January 2015	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(730,235)	(18,438,187)	44,917,820
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	3,825,822	3,825,822
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	(986,355)	-	(986,355)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	-	(2,294)	-	(2,294)
Total other comprehensive income	-	-	-	-	-	(988,649)	-	(988,649)
Total comprehensive income for the year	-	-	-	-	-	(988,649)	3,825,822	2,837,173
Transactions with owners, recorded directly in equity								
Dividends paid	-	-	-	-	-	-	(355,205)	(355,205)
Balance as at 31 December 2015	58,113,800	12,661	(2,597,522)	5,822,856	2,734,447	(1,718,884)	(14,967,570)	47,399,788

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

1 Background

(a) Organisation and operations

These consolidated financial statements include the financial statements of Mortgage Organisation Kazakhstan Mortgage Company JSC (the "Company") and its fully-owned subsidiaries, United Payment Systems JSC and Kazakhstan Housing-Construction Corporation JSC (together referred to as the "Group").

The Company was established on 29 December 2000 in accordance with the Decree #469 of the National Bank of the Republic of Kazakhstan (the "NBRK") dated 20 December 2000. The principal activity of the Company is issuance of mortgage loans in accordance with the license of regulatory authorities. The Company may additionally perform trust, factoring, forfeiting and leasing operations.

On 12 April 2010 the Company obtained a banking license #5.1.69 on banking lending transactions.

The activities of the Company are regulated by the National Bank of the Republic of Kazakhstan.

The Company's registered office is 98, Karasay Batyr st., 050012, Almaty, Kazakhstan. The Company has a representative office in Astana.

Under the realisation of the Program "Affordable Housing-2020" the Company established a subsidiary company, United Payment Systems LLC (state registration certificate of a legal entity № 1266-1910-02-TOO dated 9 July 2012). The main functions of the subsidiary are communications with potential lessees, conclusion of rent and utilities (maintenance) agreements, collection and arrangement of lease payments and payments relating to servicing of current mortgage transactions, and control over completeness and timeliness of cash flows.

United Payment Systems LLC established a subsidiary in the form of the joint-stock company, Kazakhstan Housing-Construction Corporation JSC (state registration certificate of a legal entity № 1559-1910-02-AO dated 6 August 2012). In accordance with the Decree #821 of the Government of the Republic of Kazakhstan dated 21 June 2012 the main functions of the subsidiary are organisation and holding tenders (biddings) for development of design and estimate documentation, construction and installation works, selection of a contracting construction and mounting organisation, support in carrying out state expert reviews, organisation of construction of rental houses, project finance, financing of construction of rental houses, engineering supervision on all stages of construction, acceptance and setting of houses into exploitation.

On 14 November 2014 the Management Board of Mortgage Organisation Kazakhstan Mortgage Company JSC approved a reorganisation plan, under which during 2015 Kazakhstan Housing-Construction Corporation JSC will be merged with its parent company United Payment Systems LLC, which later will be merged with its parent company, Mortgage Organisation Kazakhstan Mortgage Company JSC.

On 21 July 2015 Kazakhstan Housing-Construction Corporation JSC was merged with its parent company, United Payment Systems JSC. On 13 November 2015 United Payment Systems JSC merged with its parent company, Mortgage Organisation Kazakhstan Mortgage Company JSC.

(b) Shareholders

As at 31 December 2015 the Group is wholly-owned by the National Management Holding Baiterek JSC ("Baiterek").

1 Background, continued

(c) Kazakhstan business environment

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

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that available-for-sale financial assets are stated at fair value.

(c) Functional and presentation currency

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

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

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

(d) Use of estimates and judgments

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

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

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

- Available-for-sale financial assets – Note 12;
- Loans to customers – Note 13;
- Other borrowed funds – Note 21.

(e) Change in accounting policies

The Group has adopted the following new amendment to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

2 Basis of preparation, continued

(e) Change in accounting policies, continued

- *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32 Financial Instruments: Presentation).

Amendments to IAS 32 Financial Instruments: Disclosure and Presentation - Offsetting Financial Assets and Financial Liabilities do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group does not expect that these amendments will have an impact on its financial statements as the Group does not present financial assets and financial liabilities on net basis in the statement of financial position.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, except as explained in Note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Foreign currency

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

3 Significant accounting policies, continued

(c) Cash and cash equivalents

Cash and cash equivalents include cash, the Group's current accounts in the commercial banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(d) Financial instruments

(i) Classification

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

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

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

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

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

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

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

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

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

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

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

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

- intends to sell immediately or in the near term

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

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

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

3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Classification, continued

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

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

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

(ii) Recognition

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

(iii) Measurement

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

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

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

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

(iv) Amortised cost

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

(v) Fair value measurement principles

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

3 Significant accounting policies, continued

(d) Financial instruments, continued

(v) Fair value measurement principles, continued

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

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

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

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

(vi) Gains and losses on subsequent measurement

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

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

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

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

(vii) Derecognition

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

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

3 Significant accounting policies, continued

(d) Financial instruments, continued

(vii) Derecognition, continued

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

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

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

The Group writes off assets deemed to be uncollectible.

(viii) Derivative financial instruments

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

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

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

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

(ix) Offsetting

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

(e) Leases

The Group's lease transactions are classified as either financing or operating leases at inception in accordance with IAS 17 *Leases*.

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

- The lease transfers ownership of the asset to the lessee by the end of the lease term
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised
- The lease term is for the major part of the economic life of the asset even if title is not transferred

3 Significant accounting policies, continued

(e) Leases, continued

- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, or
- The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

The Group as a lessor initially measures finance leases at an amount equal to the net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

(f) Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value. The cost of foreclosed assets is based on the specific identification principle and recorded at net book value of underlying lease at foreclosure date.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Property and equipment

(i) Owned assets

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

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

(ii) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Depreciation

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

Building	8-100 years
Computer equipment	2-10 years
Vehicles	5-7 years
Other	3-20 years

(h) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives vary from 1 year for programme software to 20 years for licenses.

3 Significant accounting policies, continued

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment losses. When the use of a property changes such that it is reclassified as property and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

(j) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

(k) Inventories

Inventories include assets to be transferred under finance lease agreements and other inventory. Assets to be transferred under finance lease are real estate objects acquired by the Group and transferred to the lessees once the title of ownership on objects is obtained. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Impairment

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

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

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

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

(i) Financial assets carried at amortised cost

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

3 Significant accounting policies, continued

(l) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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

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

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

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

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

(ii) Financial assets carried at cost

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

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

(iii) Available-for-sale financial assets

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

3 Significant accounting policies, continued

(l) Impairment, continued

(iii) Available-for-sale financial assets, continued

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

(iv) Non financial assets

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

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

(m) Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment, the grant is recognised as a "deferred income" in other liabilities.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined as described in Note 3(d) (iii) and the proceeds received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

(n) Provisions

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

(o) Share capital

(i) Ordinary shares

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

3 Significant accounting policies, continued

(o) Share capital, continued

(ii) Treasury shares

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

(iii) Dividends

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

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

(p) Taxation

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

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

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

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

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

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

(q) Income and expense recognition

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

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

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

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

3 Significant accounting policies, continued

(q) Income and expense recognition, continued

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

(r) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) New standards and interpretations not yet adopted

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

- IFRS 9 *Financial Instruments* is to be issued in phases and replaces International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement.* The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalised and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Group recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The Group has not analysed the impact of these changes yet. The Group does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 July 2015. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2015 KZT'000	2014 KZT'000
Interest income		
Loans to customers	8,661,771	10,266,017
Cash and cash equivalents	4,851,634	656,920
Placements with banks and other financial institutions	2,024,128	2,714,452
Finance lease receivables	1,226,104	27,116
Available-for-sale financial assets	1,099,695	860,117
Held-to-maturity investments	163,647	893,312
Reverse repurchase agreements	66,889	241,264
Other assets	123,684	123,061
	18,217,552	**15,782,259**
Interest expense		
Debt securities issued	(6,999,722)	(8,043,682)
Other borrowed funds	(3,083,564)	(2,417,163)
Subordinated debt securities issued	(972,010)	(942,779)
Recognition of discount on long-term receivable	(29,195)	(202,477)
	(11,084,491)	**(11,606,101)**
Net interest income	**7,133,061**	**4,176,158**

Included within various line items under interest income for the year ended 31 December 2015 is a total of KZT 784,680 thousand (2014: KZT 723,085 thousand) accrued on impaired financial assets.

5 Net foreign exchange gain

	2015 KZT'000	2014 KZT'000
Dealing, net	(6,726,081)	(1,049,620)
Translation differences, net	8,763,866	1,096,139
	2,037,785	**46,519**

6 Impairment losses

	2015 KZT'000	2014 KZT'000
Available-for-sale financial assets (Note 12)	(370,743)	111,591
Finance lease receivables (Note 14)	(338,459)	-
Loans to customers (Note 13)	(280,868)	(323,436)
Held-to-maturity investments	(24,966)	(218,695)
Investment property	-	(172,477)
Other assets (Note 18)	(14,106)	(1,634)
	(1,029,142)	**(604,651)**

7 Personnel expenses

	2015 KZT'000	2014 KZT'000
Employee compensation	1,359,531	1,058,439
Salary related taxes	139,790	105,492
	1,499,321	**1,163,931**

8 General administrative expenses

	2015 KZT'000	2014 KZT'000
Taxes other than on income	415,340	96,913
Professional services	168,790	64,342
Advertising and marketing	136,888	140,325
Depreciation and amortisation	93,931	109,358
Utilities	47,063	35,090
Occupancy	37,672	24,070
Technical services for software	36,533	42,562
Repairs and maintenance	30,283	9,740
Travel	26,109	11,900
State duties	24,468	15,991
Security	23,057	14,634
Outsourcing	16,253	-
Communications and information services	11,870	13,005
Insurance of mortgage loans	10,528	10,920
Other	102,983	126,326
	1,181,768	**715,176**

9 Income tax expense

	2015 KZT'000	2014 KZT'000
Current year tax expense	-	(2,681)
Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance	(1,670,970)	(278,947)
Total income tax expense	**(1,670,970)**	**(281,628)**

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

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

	2015 KZT'000	%	2014 KZT'000	%
Profit before income tax	**5,496,792**	**100**	**1,465,637**	**100**
Income tax at the applicable tax rate	(1,099,358)	(20)	(293,127)	(20)
Tax exempt interest on securities	234,623	4	261,936	18
Non-deductible impairment losses	(149,655)	(3)	(44,628)	(3)
Other non-deductible expenses	(285,586)	(5)	(205,809)	(14)
Change in unrecognised deferred tax assets	(370,994)	(7)	-	-
	(1,670,970)	**(31)**	**(281,628)**	**(19)**

Deferred tax asset and liability

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

The deductible temporary differences do not expire under current tax legislation. The tax losses carry-forward expire in 2019-2023.

9 Income tax expense, continued

Deferred tax asset and liability, continued

Movements in temporary differences during the year ended 31 December 2015 are presented as follows:

KZT'000	1 January 2015	Recognised in profit or loss	31 December 2015
Property and equipment	(2,071)	(46,152)	(48,223)
Available-for-sale financial assets	-	3,804	3,804
Held-to-maturity investments	372,456	(372,456)	-
Other assets	22,574	(18,897)	3,677
Other borrowed funds	(1,079,295)	(15,580,208)	(16,659,503)
Deferred income	-	15,617,604	15,617,604
Other liabilities	19,372	16,899	36,271
Tax loss carry-forward	2,421,781	(920,570)	1,501,211
	1,754,817	**(1,299,976)**	**454,841**
Unrecognised deferred tax asset	-	(370,994)	(370,994)
	1,754,817	**(1,670,970)**	**83,847**

Movements in temporary differences during the year ended 31 December 2014 are presented as follows:

KZT'000	1 January 2014	Recognised in profit or loss	31 December 2014
Property and equipment	(19,078)	17,007	(2,071)
Held-to-maturity investments	334,784	37,672	372,456
Other assets	6,691	15,883	22,574
Debt securities issued	246,550	(246,550)	-
Subordinated debt securities issued	39,556	(39,556)	-
Other borrowed funds	(1,128,410)	49,115	(1,079,295)
Other liabilities	17,875	1,497	19,372
Tax loss carry-forward	2,535,796	(114,015)	2,421,781
	2,033,764	**(278,947)**	**1,754,817**

10 Cash and cash equivalents

	2015 KZT'000	2014 KZT'000
Nostro accounts with banks		
- rated BBB-	-	103,012
- rated BB+	71,503	1,507,662
- rated BB	331	-
- rated BB-	27,241	31,952
- rated B+	7,932	47,130
- rated B	12,133,102	114,090
- rated B-	14,463,480	5,345,685
- not rated	108,000	89,097
Total nostro accounts with banks	**26,811,589**	**7,238,628**
Term deposits with banks		
- rated B-	-	6,732,153
Total term deposits with banks	**-**	**6,732,153**
Total cash and cash equivalents	**26,811,589**	**13,970,781**

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

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

10 Cash and cash equivalents, continued

As at 31 December 2015 the Group has two banks (2014: one bank) whose balances exceed 10% of equity. The gross value of these balances as at December 2015 is KZT 15,282,914 thousand (2014: KZT 7,268,667 thousand).

11 Placement with banks and other financial institutions

	2015 KZT'000	2014 KZT'000
- rated BBB	11,718,500	-
- rated BB+	-	1,714,800
- rated B+	170,005	4,299,200
- rated B	5,448,635	5,199,555
- rated B-	-	13,148,204
	17,337,140	**24,361,759**

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

None of the balances are impaired or past due.

As at 31 December 2015 the Group placed term deposits with interest rates ranging from 6% to 9.5% per annum (2014: 6% to 10.5%) and which have maturities from February 2016 to October 2016 (2014: February 2015 to November 2015).

As at 31 December 2015 the Group has one bank (2014: one bank) whose balance exceeds 10% of equity. The gross value of this balance as at 31 December 2015 is KZT 11,718,500 thousand (2014: KZT 5,138,888 thousand).

12 Available-for-sale financial assets

	2015 KZT'000	2014 KZT'000
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	3,225,575	1,403,163
Corporate bonds rated BBB-	1,153,653	1,217,405
Corporate bonds rated from BB+ to BB-	1,839,440	-
Corporate bonds rated from B+ to B-	2,985,428	2,772,987
Corporate bonds not rated	6,311,514	4,676,364
	15,515,610	**10,069,919**
Impairment allowance	(1,555,539)	(437,743)
	13,960,071	**9,632,176**

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

Corporate bonds are interest-bearing securities, issued by local companies and banks. These securities are freely tradable on the Kazakhstan Stock Exchange ("KASE"), except for the bonds of Rosa JSC ("Rosa") and Kazakhstan Kagazy JSC ("KK") with gross amounts of KZT 437,743 thousand and KZT 1,117,796 thousand, respectively (31 December 2014: Rosa of KZT 437,743 thousand). Rosa and KK bonds were excluded from trading on KASE on 2 October 2009 and 13 November 2015, respectively.

As at 31 December 2015 and 2014 the Group considers bonds fully impaired as based on its understanding of the issuers' financial positions it does not expect probable future cash flows from the assets.

12 Available-for-sale financial assets, continued

During the year ended 31 December 2015, the Group reclassified debt financial instruments from held-to-maturity investments to available-for-sale financial assets in the amount of KZT 6,703,614 thousand due to the sale of debt financial instruments from the held to-maturity investments portfolio prior to maturity. The Group is not allowed to classify any debt financial instruments as held-to-maturity during the two subsequent financial years.

Analysis of movements in the impairment allowance:

	2015 KZT'000	2014 KZT'000
Balance at the beginning of the year	437,743	747,554
Net charge (recovery)	370,743	(111,591)
Transfer from held-to-maturity investments	1,212,139	-
Write-offs	(465,086)	(198,220)
Balance at the end of the year	**1,555,539**	**437,743**

13 Loans to customers

Loans to customers comprise mortgage loans purchased from commercial banks and credit institutions of the Republic of Kazakhstan and mortgage loans issued to individuals. The loans comprise KZT and USD denominated mortgage loans due from individuals located in the Republic of Kazakhstan.

	2015 KZT'000	2014 KZT'000
Mortgage loans with recourse	19,322,855	25,742,040
Mortgage loans without recourse	65,078,808	63,873,798
Accrued interest	1,118,529	1,061,391
Gross loans to customers	**85,520,192**	**90,677,229**
Impairment allowance	(3,764,985)	(3,484,117)
Net loans to customers	**81,755,207**	**87,193,112**

During the year ended 31 December 2015 the Group acquired mortgage loan portfolios from two commercial banks (2014: two commercial banks). The loans were recorded at their fair value totalling KZT 4,689,717 thousand (2014: KZT 12,493,704 thousand).

13 Loans to customers, continued

(a) Credit quality of mortgage loans

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

	2015 KZT'000	2014 KZT'000
Mortgage loans with recourse to the seller		
- not overdue	18,367,310	23,787,951
- overdue less than 30 days	615,859	1,616,641
- overdue 30-89 days	375,846	455,270
- overdue 90-179 days	236,839	158,799
- overdue 180-360 days	147,709	71,221
- overdue more than 360 days	105,868	1,554
Total mortgage loans with recourse to the seller	**19,849,431**	**26,091,436**
Mortgage loans without recourse to the seller		
- not overdue	56,565,005	58,447,913
- overdue less than 30 days	2,443,116	825,853
- overdue 30-89 days	1,534,027	418,567
- overdue 90-179 days	1,655,251	449,120
- overdue 180-360 days	930,885	764,983
- overdue more than 360 days	2,542,477	3,679,357
Total mortgage loans without recourse to the seller	**65,670,761**	**64,585,793**
Impairment allowance on loans without recourse to the seller	(3,764,985)	(3,484,117)
Net mortgage loans without recourse to the seller	**61,905,776**	**61,101,676**
Total loans to customers	**85,520,192**	**90,677,229**
Total impairment allowance on loans to customers	(3,764,985)	(3,484,117)
Total net loans to customers	**81,755,207**	**87,193,112**

(b) Key assumptions and judgements for estimating loan impairment

As described in Note 2, the Group uses its experience and judgment to estimate the amount of impairment loss for loans to customers.

The significant assumptions used in determining the impairment losses for mortgage loans include:

- mortgage loans with recourse overdue more than 60 days can be sold back by the Group at any time at their gross amount. Management believes that recourse counterparties are institutions of good reputation, with good credit standing
- other mortgage loans are subject to collective impairment assessment based on their past loss experience
- loss migration rates are constant and can be estimated based on the historical loss migration pattern for the past 24 months
- a delay of two years in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 65% to 80% to the originally appraised value if the property pledged is sold through court procedures (2014: 65% to 80%).

13 Loans to customers, continued

(b) Key assumptions and judgements for estimating loan impairment, continued

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

	2015 KZT'000	2014 KZT'000
Balance at the beginning of the year	3,484,117	3,333,347
Net charge	280,868	323,436
Write-offs	-	(172,666)
Balance at the end of the year	**3,764,985**	**3,484,117**

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of estimated cash flows differs by plus/minus three percent, the impairment allowance on loans to customers as at 31 December 2015 would be KZT 2,452,656 thousand lower/higher (2014: KZT 2,615,793 thousand).

(c) Analysis of collateral

Mortgage loans are secured by the underlying housing real estate.

For loans with recourse to the seller, the commercial banks-partners are responsible for monitoring of collateral on a periodic basis according to requirements of the NBRK. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers and commercial banks-partners rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

The following tables provide information on real estate collateral securing mortgage loans, net of impairment:

31 December 2015 KZT'000	**Loans to customers, carrying amount**	**Fair value of collateral – for collateral assessed as of reporting date**	**Fair value of collateral – for collateral assessed as of loan inception date**
Not overdue loans	73,292,311	36,842,306	30,648,126
Overdue loans	8,462,896	3,851,105	2,860,509
	81,755,207	**40,693,411**	**33,508,635**
31 December 2014			
Not overdue loans	82,217,268	39,794,558	39,618,080
Overdue loans	4,975,844	3,090,502	1,709,187
	87,193,112	**42,885,060**	**41,327,267**

The table above excludes overcollateralisation.

The Group updates the appraised values of collateral obtained at inception of the loans to the current values considering the approximate changes in property values. The Group may also obtain specific individual valuation of collateral at each reporting date where there are indications of impairment.

Repossessed property

The Group obtains certain assets by taking possession of collateral for loans to retail customers. As at 31 December 2015, the carrying amount of such assets was KZT 1,616,538 thousand (2014: KZT 1,448,710 thousand), which consisted of investment property of KZT 1,275,879 thousand (2014: KZT 1,130,962 thousand) and other assets of KZT 340,659 thousand (2014: 317,748 thousand).

The Group's policy is to sell these assets as soon as it is practicable, except for investment property.

13 Loans to customers, continued

(d) Asset securitisation

Loans to customers with the amount of principal of KZT 25,907,249 thousand (2014: KZT 36,268,176 thousand) serve as collateral for debt securities issued by the Group. As at 31 December 2015, the carrying amount of these debt securities is KZT 17,967,562 thousand (31 December 2014: KZT 30,215,082 thousand). Refer to Note 19.

(e) Significant credit exposures

As at 31 December 2015 the Group does not have any banks (2014: one bank) to whom the Group has recourse in respect of its purchased loans, whose loan exposures exceed 10% of equity. The gross value of these loans as at 31 December 2014 was KZT 6,427,303 thousand.

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 25(e), which shows the remaining period from the reporting date to the contractual maturity of the loans.

14 Finance lease receivables

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

	2015 KZT'000	2014 KZT'000
Within one year	2,428,401	339,040
More than one year, but less than five years	9,759,623	1,337,354
More than five years	33,795,555	3,730,309
Minimum lease payments	**45,983,579**	**5,406,703**
Less unearned finance income:		
Less than one year	(1,249,325)	(268,686)
From one to five years	(4,737,830)	(1,051,298)
More than five years	(8,223,547)	(1,760,828)
Less unearned finance income, total	**(14,210,702)**	**(3,080,812)**
Less impairment allowance	(338,459)	-
Net investment in finance lease	**31,434,418**	**2,325,891**

The Group leases out housing real estate under Nurly Zhol and Own programme. These lease agreements are classified as finance lease under IAS 17 because ownership of the assets gets transferred to lessees by the end of the lease term, and at the inception the present value of the minimum lease payments amounts to substantially all of the fair value of the leased assets.

The finance lease agreements for Own programme have a maturity term ranging from 15 to 20 years and bear nominal interest rates of 11.50% and 13.00%. The finance lease agreements for Nurly Zhol have a maturity term of 20 years and monthly lease payments limited to KZT 1,120 per square meter for Almaty and Astana cities and KZT 924 per square meter in other regions.

15 Advances paid under finance lease agreements

Advances paid under finance lease agreements comprise advances made by the Group for housing real estate to be acquired from third parties. The Group plans to lease it out under finance lease, once the legal title on the property passes to the Group. As at 31 December 2015 the largest advance payment was made to Baiterek Development JSC in the amount of KZT 11,905,891 thousand for construction and property acquisition in Kyzylorda, Pavlodar and Aktobe cities under Nurly Zhol programme.

16 Assets to be transferred under finance lease agreements

Assets to be transferred under finance lease agreements include housing real estate, which the Group intends to transfer to lessees in 2016.

The major portion of the assets relates to assets to be transferred under Nurly Zhol programme.

As at 31 December 2015, the largest micro districts acquired by the Group locate in cities of Shymkent, Aktobe, Taraz, Kyzylorda and Aktau in the total amount of KZT 20,797,332 thousand (2014: micro district in Almaty city in the amount of KZT 2,482,252 thousand).

17 Construction in progress

Construction in progress represents capitalised costs incurred by the Group during construction of residential real estate in different regions of Kazakhstan as part of "Regions Development till 2020" program approved by the Decree #728 of the Government of the Republic of Kazakhstan dated 28 June 2014 and launched under the President's "Nurly Zhol" Statement. The Group will lease out the constructed real estate under finance lease terms approved in this programme.

As at December 31, 2015 the largest construction projects relate to construction of micro districts "SPMK-70" located in Kyzylorda and "Assar" in Shymkent in the amounts of KZT 2,689,464 thousand and KZT 2,592,679 thousand, respectively (2014: micro district "Nursat" located in Shymkent in the amount of KZT 3,604,204 thousand).

18 Other assets

	2015 KZT'000	2014 KZT'000
Receivables on loan acquisition transactions	2,742,768	1,009,825
Receivable from sale of assets held for sale	1,086,314	1,383,968
Other receivables	8,903	-
Total other financial assets	**3,837,985**	**2,393,793**
Foreclosed property	340,659	317,748
Intangible assets	115,245	60,343
Other prepayments	81,288	24,054
Inventory	30,522	22,805
Other	52,396	56,821
Impairment allowance	(24,860)	(7,888)
Total other non-financial assets	**595,250**	**473,883**
Total other assets	**4,433,235**	**2,867,676**

Receivable from sale of assets held for sale has been recognised at amortised cost in the consolidated statement of financial position, reflecting fair value of the receivable at origination in 2013. Fair value was assessed using an estimated market rate of interest of 12% p.a. The resulting discount of KZT 124,276 thousand arising at initial recognition was recognised as interest expense in the consolidated statement of profit or loss. During the years ended 31 December 2015 and 2014, the parties concluded additional agreements in each year further deferring the payments until the following year. This resulted in an additional discount of KZT 29,195 thousand and KZT 202,477 thousand, respectively, recognised in the consolidated statement of profit or loss.

Foreclosed property comprises real estate collateral accepted by the Group in exchange for its rights and obligations under impaired mortgage loans. The Group has not yet determined future use of this property, whether it is going to be sold or rented out.

18 Other assets, continued

Analysis of movements in the impairment allowance

	2015 KZT'000	2014 KZT'000
Balance at the beginning of the year	7,888	6,137
Net charge	14,106	1,634
Transfer due to merger with subsidiaries	2,866	-
Recoveries of previous write-offs	-	117
Balance at the end of the year	**24,860**	**7,888**

19 Debt securities issued

Debt securities issued as at 31 December 2015 and 2014 comprised USD and KZT denominated bonds.

Emission	Maturity date	Coupon rate	Effective rate	2015 KZT'000	2014 KZT'000
KZ2C0Y05E529	26.07.2018	6.00%	6.00%	11,706,566	19,360,577
KZ2C0Y07E517	26.07.2020	8.50%	8.50%	10,346,821	10,342,640
KZP02Y09C495	10.06.2016	0.7%+floating inflation index (limited to 12.0%)	19.05%	9,781,375	9,093,513
KZ2C0Y08D913	23.12.2018	1.00%+NBRK refinancing rate (limited to maximum 10%, minimum 6%)	12.62%	8,504,529	8,070,855
KZ2C0Y05E503	26.07.2018	8.00%	8.00%	8,181,163	8,176,392
KZPC4Y10B547	15.01.2017	0.01%+floating inflation index (limited to 7.5%)	8.82%	4,805,618	4,611,946
KZPC2Y12B547	10.04.2017	0.01%+floating inflation index (limited to 7.5%)	4.34%	4,650,295	4,684,926
KZ2C0Y08E218	02.04.2020	7.00%	7.00%	7,121	7,121
KZP05Y06C494	10.12.2015	3.7%+floating inflation index (limited to 11%)	17.70%	-	7,767,280
KZPC1Y10B543	10.04.2015	6.90%	7.23%	-	5,072,954
				57,983,488	**77,188,204**

These obligations are secured by loan agreements with customers and the related real estate supporting these loans (Note 13) with a principal amount of KZT 25,907,249 thousand (2014: KZT 36,268,176 thousand).

The floating rate is based on the inflation index for the prior 12 months published by the Statistics Agency of the Republic of Kazakhstan and is revised semi-annually according to the date of issue.

20 Subordinated debt securities issued

Emission	Maturity date	Coupon rate	Effective rate	2015 KZT'000	2014 KZT'000
KZ2C0Y05E206	02.04.2017	8.00%	9.76%	9,981,675	9,809,666
				9,981,675	**9,809,666**

20 Subordinated debt securities issued, continued

As at 31 December 2015 and 2014 subordinated debt securities issued comprise unsecured obligations of the Group. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Group.

Subordinated bonds bear a fixed coupon rate.

21 Other borrowed funds

	2015 KZT'000	2014 KZT'000
Loans from banks of the Republic of Kazakhstan	21,725,945	25,422,657
Loan from National Management Holding Baiterek JSC	14,687,024	-
Due to the Government of the Republic of Kazakhstan	3,647,704	3,385,864
	40,060,673	**28,808,521**

As at 31 December 2015 and 2014 the Group has loans from Halyk Saving Bank of Kazakhstan JSC and SB Sberbank JSC with the principal amount of KZT 14,300,000 thousand and KZT 7,266,667 thousand, respectively, which bear an interest of 8.2% and 9% p.a. and mature in 2017 and 2016 years, respectively.

Amounts due to the Government of the Republic of Kazakhstan consist of a loan received in December 2007 from the Ministry of Finance of the Republic of Kazakhstan for the purchase of mortgage loans from second-tier banks. The loan carries a nominal interest rate of 0.1% per annum with principal repayable at maturity in December 2027. The fair value of the loan at initial recognition was estimated by discounting the contractual future cash flows of the loan using management's estimate of a long-term market borrowing rate for the Group of 8% p.a.

During the year ended 31 December 2015, the Group received a loan in four tranches for the total amount of KZT 92,500,000 thousand from the National Management Holding Baiterek JSC under the programme "Regions Development till 2020" approved by the Decree #728 of the Government of the Republic of Kazakhstan dated 28 June 2014 and launched under the President's "Nurly Zhol" Statement. As set out in the programme, the purpose of the loan is to finance construction and acquisition of housing real estate to be further leased out under operating and finance leases. The loan bears a nominal interest rate of 0.15% per annum and matures in January 2045. The repayment of principal is at maturity. At initial recognition the loan was recognised at fair value measured by applying a relevant market interest rate to discount the contractual future cash flows. The discount on this loan of KZT 78,543,224 thousand was recognised as deferred income (Note 22).

22 Deferred income

	2015 KZT'000
Balance at the beginning of the year	-
Deferred income from low-interest rate loans obtained during the period (Note 21)	78,543,224
Amortisation for the year	(455,204)
Balance at the end of the year	**78,088,020**

As at 31 December 2015 the Group recorded as deferred income the benefits of KZT 78,543,224 thousand provided by means of a low interest rate on the loans from National Management Holding Baiterek JSC. The benefits are to be allocated further by providing leases at favourable rates to population meeting the criteria specified in the programme.

23 Other liabilities

	2015 KZT'000	2014 KZT'000
Payable to ATF Bank JSC for mortgage loans acquired	6,513,141	4,290,135
Interest strip payable	1,503,295	1,654,748
Prepaid loans	503,600	223,318
Loan portfolios servicing fee payable	42,818	44,523
Professional services	11,945	17,560
Total other financial liabilities	**8,574,799**	**6,230,284**
Contract enforcement fees payable	825,819	153,598
Guarantee fees payable	239,230	12,565
Payables to employees	181,703	104,380
Other taxes payable	62,031	53,653
Other non-financial liabilities	142,228	56,302
Total other non-financial liabilities	**1,451,011**	**380,498**
Total other liabilities	**10,025,810**	**6,610,782**

The amount payable to ATF Bank JSC represents a final instalment payable for certain acquired mortgage loans (Note 13) which is due upon transfer of loan documentation. Management expects the transfer to be finalised in 2016.

Interest strip payable represents obligation to return to the original loan issuer a portion of interest receivable on mortgage loan portfolios acquired from three banks during 2014 and 2013. The Group is obliged to pay 1.2-1.7% p.a. of the outstanding mortgage loan portfolio on a monthly basis. This balance does not meet criteria for offsetting and, thus, is recognised as a separate financial liability.

24 Share capital and reserves

(a) Issued capital and share premium

As at 31 December 2015 and 2014, authorised share capital comprises 13,681,600 ordinary shares, and issued and outstanding share capital comprises 5,811,380 shares, including treasury shares (Note (c) below). All shares have a nominal value of KZT 10 thousand.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRSs or profit for the period if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency.

During the year ended 31 December 2015, dividends of KZT 355,205 thousand or KZT 63.87 per ordinary share relating to the previous year results of the Company were declared and paid (2014: nil).

(c) Treasury shares

As at 31 December 2015 and 2014 the Group held 250,000 of its own shares.

(d) Reserve capital

The Group has established a reserve capital in accordance with a decision of shareholders. As at 31 December 2015 and 2014 the reserve capital amounted to KZT 2,734,447 thousand. This reserve capital is available for distribution.

During the years ended 31 December 2015 and 2014 the shareholders did not make any transfer from accumulated losses to this reserve capital.

24 Share capital and reserves, continued

(e) Revaluation reserve for available-for-sale financial assets

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognised or impaired.

(f) Earnings per share

The calculation of earnings per share is based on the profit or loss for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

	2015	2014
Profit for the year, in thousand of KZT	3,825,822	1,184,009
Weighted average number of ordinary shares	5,561,380	5,317,456
Basic and diluted earnings per share, in KZT	**688**	**223**

(g) Book value per share

Under the listing rules of the Kazakhstan Stock Exchange the Group should present book value per share in its consolidated financial statements. The book value per share is calculated dividing net assets less intangible assets by the number of outstanding ordinary shares. As at 31 December 2015 the book value per share was KZT 8,502.30 (2014: KZT 8,065.89).

25 Risk management

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

(a) Risk management policies and procedures

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

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

The Management Board of the Group is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Department of the Group is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. She reports directly to the Deputy Chairman of the Management Board.

The Risk Management Committee develops proposals on assets/liabilities and risk management based on strategies, policies and procedures approved by the Management Board.

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

25 Risk management, continued

(b) Market risk

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

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

Overall authority for market risk is vested in the Risk Management Committee.

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

(i) Interest rate risk

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

25 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

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

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2015							
ASSETS							
Cash and cash equivalents	26,340,549	-	-	-	-	471,040	26,811,589
Placements with banks and other financial institutions	3,101,080	-	14,236,060	-	-	-	17,337,140
Available-for-sale financial assets	1,529,760	5,336,018	1,258,814	4,533,935	1,301,544	-	13,960,071
Loans to customers	1,817,659	10,453,408	2,791,134	22,948,205	43,744,801	-	81,755,207
Finance lease receivables	319,095	276,522	581,272	5,021,792	25,235,737	-	31,434,418
Other financial assets	-	-	-	-	-	3,837,985	3,837,985
Total assets	**33,108,143**	**16,065,948**	**18,867,280**	**32,503,932**	**70,282,082**	**4,309,025**	**175,136,410**
LIABILITIES							
Debt securities issued	5,739,230	22,936,320	-	29,307,938	-	-	57,983,488
Subordinated debt securities issued	-	197,778	-	9,783,897	-	-	9,981,675
Other borrowed funds	3,856,041	3,575,000	7,206,696	7,150,000	18,272,936	-	40,060,673
Other financial liabilities	-	-	-	-	-	8,574,799	8,574,799
Total liabilities	**9,595,271**	**26,709,098**	**7,206,696**	**46,241,835**	**18,272,936**	**8,574,799**	**116,600,635**
Net position	**23,512,872**	**(10,643,150)**	**11,660,584**	**(13,737,903)**	**52,009,146**	**(4,265,774)**	**58,535,775**

25 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2014							
ASSETS							
Cash and cash equivalents	11,868,499	-	-	-	-	2,102,282	13,970,781
Placements with banks and other financial institutions	480,801	7,053,500	16,827,458	-	-	-	24,361,759
Available-for-sale financial assets	1,312,288	644,577	1,150,511	5,136,916	1,387,884	-	9,632,176
Loans to customers	2,540,183	1,037,801	13,751,637	21,823,770	48,039,721	-	87,193,112
Finance lease receivables	34,353	8,724	27,250	285,953	1,969,611	-	2,325,891
Held-to-maturity investments	2,606,172	2,477,301	201,466	2,431,253	2,515,803	-	10,231,995
Other financial assets	-	-	-	-	-	2,393,793	2,393,793
Total assets	**18,842,296**	**11,221,903**	**31,958,322**	**29,677,892**	**53,913,019**	**4,496,075**	**150,109,507**
LIABILITIES							
Debt securities issued	5,738,350	34,689,648	-	26,776,538	9,983,668	-	77,188,204
Subordinated debt securities issued	-	197,778	-	9,611,888	-	-	9,809,666
Other borrowed funds	237,607	-	3,628,475	21,556,700	3,385,739	-	28,808,521
Other financial liabilities	-	-	-	-	-	6,230,284	6,230,284
Total liabilities	**5,975,957**	**34,887,426**	**3,628,475**	**57,945,126**	**13,369,407**	**6,230,284**	**122,036,675**
Net position	**12,866,339**	**(23,665,523)**	**28,329,847**	**(28,267,234)**	**40,543,612**	**(1,734,209)**	**28,072,832**

25 Risk management, continued

(b) Market risk, continued

(i) *Interest rate risk, continued*

Average interest rates

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

	2015 Average effective interest rate, %		2014 Average effective interest rate, %	
	KZT	**USD**	**KZT**	**USD**
Interest bearing assets				
Cash and cash equivalents	13.72	3.50	10.36	-
Placement with banks and other financial institutions	9.50	6.05	9.38	5.89
Available-for-sale financial assets	7.56	-	8.46	-
Loans to customers	11.93	13.85	11.31	13.84
Finance lease receivables	4.17	-	12.36	-
Held-to-maturity investments	-	-	6.82	6.07
Interest bearing liabilities				
Debt securities issued	10.00	-	10.12	-
Subordinated debt securities issued	9.76	-	9.76	-
Other borrowed funds	7.34	-	8.55	-

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

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rates sensitivity analysis

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

	2015 KZT'000		2014 KZT'000	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	(134,696)	(134,696)	(28,345)	(28,345)
100 bp parallel fall	134,696	134,696	28,345	28,345

25 Risk management, continued

(b) Market risk, continued

(i) *Interest rate risk, continued*

Interest rates sensitivity analysis, continued

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

	2015 KZT'000		2014 KZT'000	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
100 bp parallel rise	-	(367,944)	-	(383,589)
100 bp parallel fall	-	389,936	-	411,084

(c) Currency risk

The Group has assets and liabilities denominated in USD.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not hedge its exposure to currency risk.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2015 and 2014:

	USD	
	2015 KZT'000	**2014 KZT'000**
Assets		
Cash and cash equivalents	330,334	1,704,444
Placement with banks and other financial institutions	5,618,640	11,133,852
Loans to customers	12,422,513	9,692,408
Held-to-maturity investments	-	2,430,468
Other assets	2,556,944	1,257,735
Total financial assets	**20,928,431**	**26,218,907**
Liabilities		
Debt securities issued	11,706,566	19,360,577
Other liabilities	4,826,602	2,605,306
Total financial liabilities	**16,533,168**	**21,965,883**
Net on and off balance sheet position	**4,395,263**	**4,253,024**

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

	2015 KZT'000		2014 KZT'000	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
20% appreciation of USD against KZT	703,242	703,242	680,484	680,484
5% depreciation of USD against KZT	(175,811)	(175,811)	(170,121)	(170,121)

25 Risk management, continued

(d) Credit risk

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

The Group's credit policy establishes:

- procedures for review and approval of loan/credit applications
- methodology for the credit assessment of borrowers
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- minimum financial and collateral requirements for loan approvals
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

The main task of credit risk management is the application of a weighted credit policy, considering profitability with safety of asset allocation at purchase of mortgage loans and control over position of loan portfolio based on in-depth, objective, complete and qualified monitoring.

Susceptibility to credit risk is controlled by obtaining high quality collateral, the receipt of a guarantees and obtaining recourse to the seller of the loans.

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

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

	2015 KZT'000	2014 KZT'000
ASSETS		
Cash and cash equivalents	26,811,589	13,970,781
Placements with banks and other financial institutions	17,337,140	24,361,759
Available-for-sale financial assets	13,960,071	9,632,176
Loans to customers	81,755,207	87,193,112
Finance lease receivables	31,434,418	2,325,891
Held-to-maturity investments	-	10,231,995
Other financial assets	3,837,985	2,393,793
Total maximum exposure	**175,136,410**	**150,109,507**

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 13.

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

25 Risk management, continued

(e) Liquidity risk

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

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

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

The liquidity management policy of the Group requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

25 Risk management, continued

(e) Liquidity risk, continued

The following tables show the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity. The total gross amount outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability. The Group's expected cash flows on these financial liabilities may vary significantly from this analysis.

The liquidity position of the Group as at 31 December 2015 was as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Debt securities issued	1,181,946	-	11,026,668	1,608,614	56,477,394	-	70,294,622	57,983,488
Subordinated debt securities issued	-	-	400,000	400,000	10,400,000	-	11,200,000	9,981,675
Other borrowed funds	232,875	3,926,483	3,977,150	7,813,653	8,180,805	105,051,709	129,182,675	40,060,673
Other financial liabilities	440,302	198,800	80,221	6,668,897	1,044,741	1,142,171	9,575,132	8,574,799
Total	**1,855,123**	**4,125,283**	**15,484,039**	**16,491,164**	**76,102,940**	**106,193,880**	**220,252,429**	**116,600,635**

The position of the Group as at 31 December 2014 was as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
Non-derivative liabilities								
Debt securities issued	1,483,331	-	14,523,164	2,393,995	68,498,021	10,857,245	97,755,756	77,188,204
Subordinated debt securities issued	-	-	400,000	400,000	11,200,000	-	12,000,000	9,809,666
Other borrowed funds	245,250	296,407	535,143	4,656,412	23,418,229	9,091,980	38,243,421	28,808,521
Other financial liabilities	243,750	55,478	82,160	4,520,253	1,085,303	1,253,417	7,240,361	6,230,284
Total	**1,972,331**	**351,885**	**15,540,467**	**11,970,660**	**104,201,553**	**21,202,642**	**155,239,538**	**122,036,675**

25 Risk management, continued

(e) Liquidity risk, continued

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

	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
Assets							
Cash and cash equivalents	26,811,589	-	-	-	-	-	26,811,589
Placements with banks and other financial institutions	228,581	2,872,498	14,236,061	-	-	-	17,337,140
Available-for-sale financial assets	718,200	22,084	3,084,477	6,373,375	3,761,935	-	13,960,071
Loans to customers	1,006,129	1,048,306	4,752,474	26,190,387	48,757,911	-	81,755,207
Finance lease receivables	131,768	187,327	857,794	5,021,792	25,235,737	-	31,434,418
Current tax asset	-	-	-	-	-	2,310,235	2,310,235
Advances paid under finance lease agreements	-	273,880	13,826,120	11,816,895	-	-	25,916,895
Assets to be transferred under finance lease agreements	-	-	-	-	-	26,503,605	26,503,605
Construction in progress	-	-	9,644,010	-	-	-	9,644,010
Property and equipment	-	-	-	-	-	1,743,083	1,743,083
Investment property	-	-	-	-	-	1,606,119	1,606,119
Deferred tax asset	-	-	-	-	-	83,847	83,847
Other assets	19,180	1,158,007	2,764,212	1,504	3,447	486,885	4,433,235
Total assets	**28,915,447**	**5,562,102**	**49,165,148**	**49,403,953**	**77,759,030**	**32,733,774**	**243,539,454**
Liabilities							
Debt securities issued	1,023,760	-	9,841,581	47,118,147	-	-	57,983,488
Subordinated debt securities issued	-	-	197,778	9,783,897	-	-	9,981,675
Other borrowed funds	217,900	3,638,141	10,781,696	7,150,000	18,272,936	-	40,060,673
Deferred income	-	-	-	-	78,088,020	-	78,088,020
Other liabilities	489,456	220,381	7,266,711	1,542,993	506,269	-	10,025,810
Total liabilities	**1,731,116**	**3,858,522**	**28,087,766**	**65,595,037**	**96,867,225**	**-**	**196,139,666**
Net position as at 31 December 2015	**27,184,331**	**1,703,580**	**21,077,382**	**(16,191,084)**	**(19,108,195)**	**32,733,774**	**47,399,788**
Net position as at 31 December 2014	13,464,793	1,884,055	13,410,695	(49,095,807)	49,763,759	15,490,325	44,917,820

25 Risk management, continued

(e) Liquidity risk, continued

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

Assets	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
Cash and cash equivalents	13,970,781	-	-	-	-	-	13,970,781
Placements with banks and other financial institutions	122,080	358,721	23,880,958	-	-	-	24,361,759
Available-for-sale financial assets	138,505	36,055	166,727	5,136,916	4,153,973	-	9,632,176
Loans to customers	1,042,960	1,491,356	4,096,957	25,556,508	55,005,331	-	87,193,112
Finance lease receivables	21,591	12,762	35,974	285,953	1,969,611	-	2,325,891
Held-to-maturity investments	7,250	14,685	2,678,767	4,685,565	2,845,728	-	10,231,995
Current tax asset	-	-	-	-	-	1,310,488	1,310,488
Advances paid under finance lease agreements	-	-	1,670,392	-	-	-	1,670,392
Assets to be transferred under finance lease agreements	-	-	-	-	-	2,482,252	2,482,252
Construction in progress	-	-	6,339,486	-	-	-	6,339,486
Property and equipment	-	-	-	-	-	1,727,239	1,727,239
Investment property	-	-	-	-	-	1,466,929	1,466,929
Deferred tax asset	-	-	-	-	-	1,754,817	1,754,817
Other assets	38,845	6,898	2,407,492	1,504	3,823	409,114	2,867,676
Total assets	**15,342,012**	**1,920,477**	**41,276,753**	**35,666,446**	**63,978,466**	**9,150,839**	**167,334,993**
Liabilities							
Debt securities issued	1,288,023	-	12,979,904	52,936,609	9,983,668	-	77,188,204
Subordinated debt securities issued	-	-	197,778	9,611,888	-	-	9,809,666
Other borrowed funds	234,350	3,257	3,628,475	21,556,700	3,385,739	-	28,808,521
Other liabilities	354,846	33,165	4,720,415	657,056	845,300	-	6,610,782
Total liabilities	**1,877,219**	**36,422**	**21,526,572**	**84,762,253**	**14,214,707**	**-**	**122,417,173**
Net position as at 31 December 2014	**13,464,793**	**1,884,055**	**19,750,181**	**(49,095,807)**	**49,763,759**	**9,150,839**	**44,917,820**
Net position as at 31 December 2013	9,202,033	(1,991,038)	10,334,163	(54,428,113)	58,952,911	7,735,083	29,805,039

26 Capital management

The Decree of the NBRK #254 of 25 July 2003 establishes the Company's status as a financial agency, for which the NBRK determines statutory capital ratios.

The Company defines as capital the following items defined by statutory regulation as capital for mortgage companies:

Tier 1 capital, which is comprised of ordinary share capital, share premium, prior periods' statutory retained earnings/accumulated losses and reserves created thereof and preference shares (within 15% of ordinary share capital) less intangible assets and current year statutory losses;

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's statutory income, revaluation reserves, preference shares (in excess of 15% of ordinary share capital), qualifying subordinated liabilities and collective impairment allowance in the amount not exceeding 1.25% of credit risk-weighted assets.

Total capital, which is the sum of tier 1 capital and tier 2 capital (in the amount not exceeding tier 1 capital) less investments into equity or subordinated debt.

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

Under the current capital requirements set by the NBRK mortgage companies have to maintain:

- a ratio of tier 1 capital to total statutory assets (k1);
- a ratio of tier 1 capital to the sum of credit risk-weighted assets and contingent liabilities (k1-2);
- a ratio of total capital to the sum of credit risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k1-3).

	2015 KZT'000	2014 KZT'000
Tier 1 capital		
Share capital	55,528,939	55,528,939
General reserves	2,734,447	2,734,447
Additional paid-in capital	5,822,856	5,822,856
Statutory accumulated losses	(18,788,692)	(19,610,929)
Total tier 1 capital	**45,297,550**	**44,475,313**
Tier 2 capital		
Reserves on revaluation of available-for-sale financial assets	(1,718,884)	(730,235)
Subordinated debt securities issued	3,913,559	5,767,133
Net profit for the year in accordance with the NBRK requirements	3,821,122	1,177,442
Total tier 2 capital	**6,015,797**	**6,214,340**
Investments in subsidiaries	-	554,291
Total capital	**51,313,347**	**50,135,362**
Total statutory assets	243,539,454	167,419,116
Credit risk weighted assets and contingent liabilities	157,515,136	145,279,951
k1 ratio	**19%**	**27%**
k1-2 ratio	**29%**	**31%**
k1-3 ratio	**33%**	**35%**

26 Capital management, continued

As at 31 December 2015 and 2014 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%
- k1-2 – 6%
- k1-3 – 12%.

27 Contingencies

(a) Insurance

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

(b) Litigation

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

(c) Taxation contingencies

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

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

28 Related party transactions

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

Total remuneration included in personnel expenses is as follows (refer to Note 7):

	2015 KZT'000	2014 KZT'000
Members of the Board of Directors	39,398	4,240
Members of the Management Board	88,963	101,422
	128,361	**105,662**

The above amounts include cash and non-cash benefits in respect of the members of the Management Board and Board of Directors.

The outstanding balances and average interest rates as at 31 December 2015 and 2014 for transactions with the members of the Management Board and the Board of Directors are as follows:

	2015 KZT'000	Average interest rate, %	2014 KZT'000	Average interest rate, %
Consolidated statement of financial position				
Loans to customers	7,629	8.50	49,801	6.79
Other liabilities	26,280	-	30,308	-

Amounts included in profit or loss in relation to transactions with the members of the Management Board and the Board of Directors for the year ended 31 December are as follows:

	2015 KZT'000	2014 KZT'000
Profit or loss		
Interest income	672	3,487

(b) Transaction with other related parties

Other related parties include Baiterek and its subsidiaries (together the "Baiterek Group") and other State organisations.

The amounts below are included in the statement of financial position, income statement and statement of comprehensive income for transactions with related parties as of 31 December 2015 and 2014:

	2015 KZT'000	2015 KZT'000	2014 KZT'000	2014 KZT'000
	Baiterek Group	State organisations	Baiterek Group	State organisations
Consolidated statement of profit or loss				
Interest income	218,500	277,051	-	219,512
Interest expense	(3,123,590)	(3,941,800)	(2,692,846)	(4,021,522)
Commission expense	-	(2,915)	-	(2,131)
Net foreign exchange loss	(12,075,385)	-	-	-
Net loss from repurchase of debt securities issued	(1,718)	-	(65,424)	-
Other income	6,977	9,432	5,895	19,241
General administrative expenses	(111,028)	(624,912)	-	(244,664)
Income tax expense	-	(1,670,970)	-	(281,628)
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	-	(172,472)	-	(14,107)

28 Related party transactions, continued

(b) Transaction with other related parties, continued

The balances with related parties as of 31 December 2015 include:

	Baiterek Group		State organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Placements with banks and other financial institutions	11,718,500	9.50	-	-
Available-for-sale financial assets	-	-	4,379,229	6.06
Current tax asset	-	-	2,310,235	-
Advances paid under finance lease agreements	11,905,891	-	-	-
Deferred tax asset	-	-	83,847	-
Other assets	4	-	41,782	-
Debt securities issued	18,910,349	6.51	28,290,232	10.16
Subordinated debt securities issued	-	-	3,339,120	9.76
Other borrowed funds	14,687,024	7.01	3,647,704	8.00
Other liabilities	110,880	-	64,194	-
Revaluation reserve for available-for-sale financial assets	-	-	(297,554)	-

The balances with related parties as of 31 December 2014 include:

	Baiterek Group		State organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Available-for-sale financial assets	-	-	2,620,568	6.97
Held-to maturity investments	-	-	2,012,242	3.48
Current tax asset	-	-	1,310,488	-
Deferred tax asset	-	-	1,754,817	-
Other assets	153	-	12,855	-
Debt securities issued	29,311,969	9.34	36,290,307	11.00
Subordinated debt securities issued	-	-	3,281,578	9.96
Other borrowed funds	-	-	3,385,864	8.00
Other liabilities	-	-	33,171	-
Revaluation reserve for available-for-sale financial assets	-	-	(124,831)	-

29 Financial assets and liabilities: fair values and accounting classification

(a) Accounting classifications and fair values

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

KZT'000	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	26,811,589	-	-	26,811,589	26,811,589
Placements with banks and other financial institutions	17,337,140	-	-	17,337,140	17,337,140
Available-for-sale financial assets	-	13,960,071	-	13,960,071	13,960,071
Loans customers	81,755,207	-	-	81,755,207	79,653,830
Finance lease receivables	31,434,418	-	-	31,434,418	31,434,418
Other financial assets	3,837,985	-	-	3,837,985	3,837,985
	161,176,339	**13,960,071**	**-**	**175,136,410**	**173,035,033**
Debt securities issued	-	-	57,983,488	57,983,488	55,226,331
Subordinated debt securities issued	-	-	9,981,675	9,981,675	9,161,180
Other borrowed funds	-	-	40,060,673	40,060,673	38,599,256
Deferred income	-	-	78,088,020	78,088,020	78,088,020
Other financial liabilities	-	-	8,574,799	8,574,799	8,574,799
	-	**-**	**194,688,655**	**194,688,655**	**189,649,586**

29 Financial assets and liabilities: fair values and accounting classification, continued

(a) Accounting classifications and fair values, continued

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

KZT'000	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	13,970,781	-	-	13,970,781	13,970,781
Placements with banks and other financial institutions	-	24,361,759	-	-	24,361,759	24,361,759
Available-for-sale financial assets	-	-	9,632,176	-	9,632,176	9,632,176
Loans customers	-	87,193,112	-	-	87,193,112	85,892,121
Finance lease receivables	-	2,325,891	-	-	2,325,891	2,325,891
Held-to-maturity investments:						
Government bonds	2,012,242	-	-	-	2,012,242	1,938,230
Corporate bonds	8,219,753	-	-	-	8,219,753	7,919,972
Other financial assets	-	2,393,793	-	-	2,393,793	2,393,793
	10,231,995	**130,245,336**	**9,632,176**	**-**	**150,109,507**	**148,434,723**
Debt securities issued	-	-	-	77,188,204	77,188,204	71,798,714
Subordinated debt securities issued	-	-	-	9,809,666	9,809,666	9,942,134
Other borrowed funds	-	-	-	28,808,521	28,808,521	27,758,068
Other financial liabilities	-	-	-	6,230,284	6,230,284	6,230,284
	-	**-**	**-**	**122,036,675**	**122,036,675**	**115,729,200**

29 Financial assets and liabilities: fair values and accounting classification, continued

(a) Accounting classifications and fair values, continued

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

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

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

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

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities.

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

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

(b) Fair value hierarchy

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

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

29 Financial assets and liabilities: fair values and accounting classification, continued

(b) Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value at 31 December 2015 and 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position:

	2015 Level 2 KZT'000	2014 Level 2 KZT'000
Financial assets		
Available-for-sale financial assets	13,960,071	9,632,176
	13,960,071	**9,632,176**

As at 31 December 2015 and 2014 the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

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

KZT'000	Level 2	Total fair values	Total carrying amount
Assets			
Cash and cash equivalents	26,811,589	26,811,589	26,811,589
Placements with banks and other financial institutions	17,337,140	17,337,140	17,337,140
Loans to customers	79,653,830	79,653,830	81,755,207
Finance lease receivables	31,434,418	31,434,418	31,434,418
Liabilities			
Debt securities issued	55,226,331	55,226,331	57,983,488
Subordinated debt securities issued	9,161,180	9,161,180	9,981,675
Other borrowed funds	38,599,256	38,599,256	40,060,673
Deferred income	78,088,020	78,088,020	78,088,020

29 Financial assets and liabilities: fair values and accounting classification, continued

(b) Fair value hierarchy, continued

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

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	13,970,781	-	13,970,781	13,970,781
Placements with banks and other financial institutions	24,361,759	-	24,361,759	24,361,759
Loans to customers	85,892,121	-	85,892,121	87,193,112
Finance lease receivables	2,325,891	-	2,325,891	2,325,891
Held-to-maturity investments	9,505,122	353,080	9,858,202	10,231,995
Liabilities				
Debt securities issued	71,798,714	-	71,798,714	77,188,204
Subordinated debt securities issued	9,942,134	-	9,942,134	9,809,666
Other borrowed funds	27,758,068	-	27,758,068	28,808,521

30 Segment reporting

The Group's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. The Group's assets are concentrated in the Republic of Kazakhstan, and the Group's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Group, the Chairman of the Management Board, only receives and reviews the information on the Group as a whole.