Eurasia Insurance Company JSC

Financial Statements
for the year ended 31 December 2015

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KPMG

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Independent Auditors' Report

To the Board of Directors of Eurasia Insurance Company JSC

We have audited the accompanying financial statements of Eurasia Insurance Company JSC (the "Company"), which comprise the statement of financial position as at 31 December 2015, and the 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 Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Company 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

27 April 2016

	Note	2015 '000 KZT	2014 '000 KZT
Gross premiums written	5	36,768,509	33,395,926
Written premiums ceded to reinsurers	5	(3,968,404)	(3,496,216)
Net premiums written		**32,800,105**	**29,899,710**
Change in the gross provision for unearned premiums	5	(1,398,165)	(2,923,247)
Reinsurers' share of change in the gross provision for unearned premiums	5	50,314	148,426
Net earned premiums		**31,452,254**	**27,124,889**
Claims incurred	6	(19,642,802)	(10,632,976)
Reinsurers' share of claims incurred	6	949,808	171,725
Change in gross insurance contract provisions	6	(18,292,913)	(25,591,484)
Change in reinsurers' share in insurance contract provisions	6	472,987	17,789,597
Net claims incurred		**(36,512,920)**	**(18,263,138)**
Net finance income	7	7,314,905	6,365,911
Net foreign exchange gain		52,109,080	1,424,929
Net commission expense	8	(2,495,943)	(3,303,425)
Recovery of/(charge for) impairment losses	9	38,601	(633,494)
General administrative expenses	10	(5,342,878)	(4,211,000)
Other operating income, net		388,043	32,159
Profit before income tax		**46,951,142**	**8,536,831**
Income tax expense	11	(8,335,845)	(1,477,658)
Profit for the year		**38,615,297**	**7,059,173**
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		(63,277)	(98,019)
- Net change in fair value transferred to profit or loss		62,598	294,349
- Amortisation of revaluation reserve for available-for-sale financial assets transferred to held-to-maturity		1,813	5,517
Other comprehensive income for the year, net of income tax		**1,134**	**201,847**
Total comprehensive income for the year		**38,616,431**	**7,261,020**

The financial statements as set out on pages 5 to 56 were approved by the Management Board on 27 April 2016:

Umarov B.G.
Chairman of the Board

Rakhmanova N.S.
Chief Accountant

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

	Note	2015 '000 KZT	2014 '000 KZT
ASSETS			
Cash and cash equivalents	12	98,713	1,020,368
Placements with banks	13	10,271,546	21,803,905
Available-for-sale financial assets		19,121	21,523
Held-to-maturity investments	14	129,732,535	68,649,940
Investment property	15	1,549,072	1,275,378
Property, equipment and intangible assets	16	1,355,045	1,040,724
Insurance and reinsurance receivables	17	6,353,001	3,874,598
Current tax asset		-	580,985
Reinsurers' share in insurance contract provisions	18	20,962,400	20,439,099
Other assets	19	5,057,235	564,842
Total assets		**175,398,668**	**119,271,362**
LIABILITIES			
Insurance contract provisions	18	74,542,604	54,851,526
Insurance and reinsurance payables	20	1,265,578	1,573,311
Current tax liability		1,354,902	-
Deferred tax liabilities	11	27,779	1,422
Other liabilities	21	1,288,949	1,072,218
Total liabilities		**78,479,812**	**57,498,477**
EQUITY			
Share capital	22(a)	56,541,165	54,296,000
Statutory reserve	22(d)	3,036,996	107,039
Revaluation reserve for available-for-sale financial assets		(7,664)	(8,798)
Retained earnings		37,348,359	7,378,644
Total equity		**96,918,856**	**61,772,885**
Total liabilities and equity		**175,398,668**	**119,271,362**

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

	2015 '000 KZT	2014 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**38,615,297**	**7,059,173**
Adjustments for:		
Depreciation and amortisation	136,484	106,677
(Recovery of)/charge for impairment losses	(38,601)	633,494
Interest income	(7,533,336)	(6,712,489)
Net realised loss on disposal of available-for-sale financial assets	216,644	341,061
Dividend income	(26)	-
Unrealised foreign exchange gain	(52,219,525)	(1,498,869)
Amortisation of revaluation reserve for available-for-sale financial assets transferred to held-to-maturity	1,813	5,517
Loss/(gain) on disposal of property, equipment and intangible assets	3,105	(10,744)
Expense on/(reversal of expense on) deferred bonuses to management	271,540	(111,507)
Income tax expense	8,335,845	1,477,658
Operating (loss)/profit before changes in working capital	**(12,210,760)**	**1,289,971**
(Increase)/decrease in operating assets		
Reinsurers' share in insurance contract provisions	(523,301)	(17,938,023)
Insurance and reinsurance receivables	567,113	1,106,282
Other assets	(1,041,584)	(376,407)
Increase/(decrease) in operating liabilities		
Insurance contract provisions	19,691,078	28,514,731
Insurance and reinsurance payables	(626,365)	(129,375)
Other liabilities	(67,434)	(186,773)
Net cash provided from operating activities before interest received and income tax paid	**5,788,747**	**12,280,406**
Interest received	6,579,776	5,832,534
Income tax paid	(6,373,601)	(2,381,756)
Cash flows from operating activities	**5,994,922**	**15,731,184**
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	26	-
Placements with banks	(104,431,070)	(52,458,320)
Redemption of placements with banks	118,627,145	40,698,577
Sale of available-for-sale financial assets	1,723	236,710
Purchases of investments held-to-maturity	(33,498,593)	(14,338,149)
Repayment of investments held-to-maturity	18,524,256	10,026,960
Placement on investment account for purchase of financial instruments	(3,383,099)	-
Acquisition of investment property	(293,026)	(576,021)
Purchases of property, equipment and intangible assets	(473,911)	(665,168)
Proceeds from sale of property, equipment and intangible assets	39,333	11,799
Cash flows used in investing activities	**(4,887,216)**	**(17,063,612)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	2,245,165	5,666,840
Dividends paid	(5,715,625)	(5,246,840)
Cash flows (used in)/from financing activities	**(3,470,460)**	**420,000**
Net decrease in cash and cash equivalents	**(2,362,754)**	**(912,428)**
Effect of changes in exchange rates on cash and cash equivalents	1,441,099	(21,221)
Cash and cash equivalents at beginning of year	1,020,368	1,954,017
Cash and cash equivalents at end of year (Note 12)	**98,713**	**1,020,368**

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

'000 KZT	Share capital	Statutory reserve	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total equity
Balance as at 1 January 2014	48,629,160	690,495	(210,645)	4,982,855	54,091,865
Total comprehensive income					
Profit for the year	-	-	-	7,059,173	7,059,173
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, net of income tax	-	-	(98,019)		(98,019)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax	-	-	294,349	-	294,349
Amortisation of revaluation reserve for available-for-sale financial assets transferred to held-to-maturity investments, net of income tax	-	-	5,517	-	5,517
Total other comprehensive income	-	-	201,847	-	201,847
Total comprehensive income for the year	**-**	**-**	**201,847**	**7,059,173**	**7,261,020**
Transactions with owners, recorded directly in equity					
Shares issued (Note 22 (a))	5,666,840	-	-	-	5,666,840
Dividends declared and paid (Note 22 (c))	-	-	-	(5,246,840)	(5,246,840)
Transfer from statutory reserve (Note 22(d))	-	(583,456)	-	583,456	-
Total transactions with owners	**5,666,840**	**(583,456)**	**-**	**(4,663,384)**	**420,000**
Balance as at 31 December 2014	**54,296,000**	**107,039**	**(8,798)**	**7,378,644**	**61,772,885**
Total comprehensive income					
Profit for the year	-	-	-	38,615,297	38,615,297
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, net of income tax	-	-	(63,277)	-	(63,277)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax	-	-	62,598	-	62,598
Amortisation of revaluation reserve for available-for-sale financial assets transferred to held-to-maturity investments, net of income tax	-	-	1,813	-	1,813
Total other comprehensive income	-	-	1,134	-	1,134
Total comprehensive income for the year	**-**	**-**	**1,134**	**38,615,297**	**38,616,431**
Transactions with owners, recorded directly in equity					
Shares issued (Note 22 (a))	2,245,165	-	-	-	2,245,165
Dividends declared and paid (Note 22 (c))	-	-	-	(5,715,625)	(5,715,625)
Transfer from statutory reserve (Note 22(d))	-	2,929,957	-	(2,929,957)	-
Total transactions with owners	**2,245,165**	**2,929,957**	**-**	**(8,645,582)**	**(3,470,460)**
Balance as at 31 December 2015	**56,541,165**	**3,036,996**	**(7,664)**	**37,348,359**	**96,918,856**

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

1 Background

(a) Principal activities

Eurasia Insurance Company JSC (the "Company") was established in the Republic of Kazakhstan in May 1995 as stock insurance company "Eurasia". The Company was re-registered on 21 January 1999 as an open joint-stock company "Eurasia Insurance Company". The Company was re-registered on 21 May 2005 as a joint-stock company under the laws of the Republic of Kazakhstan as defined in the Civil Code of the Republic of Kazakhstan. Last re-registration was on 26 June 2009, when Eurasian Finance Company JSC became its parent company.

The Company holds licence #2.1.6 dated 10 October 2012 for insurance and reinsurance activity issued by the Financial Markets and Organisations Supervisory and Regulatory Committee of the Republic of Kazakhstan (the "FMSC").

The primary business activity of the Company is insurance and reinsurance of vehicle owners' liability, employers' liability, property, cargo, motor, air, railway and water transport, casualty and other insurance.

The address of the Company's registered office is: 050004, 59 Zheltoksan Street, Almaty, Republic of Kazakhstan. The head office of the Company is located in Almaty, and the Company has eleven branches as at 31 December 2015 (31 December 2014: nine) throughout the Republic of Kazakhstan.

As at 31 December 2015 and 31 December 2014 the Company had the following shareholders:

	31 December 2015 %	31 December 2014 %
Shareholders:		
Eurasian Finance Company JSC	95	95
Umanov Boris Grigoryevich	5	5
Total	**100**	**100**

(b) Kazakhstan business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes that 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 financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

2 Basis of preparation, continued

(c) Functional and presentation currency

The functional currency of the Company 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 financial statements.

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

(d) Use of estimates and judgments

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

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

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

- Insurance contract provisions - Note 18;
- Fair value of financial instruments - Note 25.

(e) Changes in application of accounting policy

During the preparation of the financial statements as at and for the year ended 31 December 2015, the management of the Company reassessed the accounting treatment of the initial recognition of insurance acquisition costs. According to the changes applied insurance acquisition costs are deferred and recognised in profit or loss in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method during the period covered by the contract. The effect of the change in the application of the accounting policy on the corresponding figures is immaterial, therefore, the comparative information has not been restated.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company 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.

3 Significant accounting policies, continued

(a) Foreign currency, continued

The exchange rates used by the Company in the preparation of the financial statements at 31 December are as follows:

Currency	2015	2014
1 United States Dollar	340.01	182.35
1 Euro	371.46	221.59
1 Great Britain Pound	504.06	283.92
1 Russian Rouble	4.61	3.13

(b) Insurance contracts

(i) Classification of contracts

Contracts under which the Company accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

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

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

(ii) Recognition and measurement of contracts

Premiums

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

Unearned premium provision

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

Claims

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

3 Significant accounting policies, continued

(b) Insurance contracts, continued

(ii) Recognition and measurement of contracts, continued

Claims, continued

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

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

(iii) Reinsurance assets

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

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

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

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

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

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

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

(iv) Insurance acquisition costs

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

3 Significant accounting policies, continued

(b) Insurance contracts, continued

(iv) Insurance acquisition costs, continued

Insurance acquisition costs are deferred and recognised in profit or loss in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method during the period covered by the contract.

(v) Liability adequacy test

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

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

(vi) Insurance receivables and payables

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

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with 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 Company in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(d) Placements with banks

The Company maintains advances, deposits with banks for various periods of time exceeding three months. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Placements with banks are carried at amortised cost net of any allowance for impairment losses, if any.

(e) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the 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:

- Buildings	50 to 70 years
- Computer and equipment	2 to 10 years
- Vehicles	4 to 6 years
- Other	2 to 15 years

3 Significant accounting policies, continued

(f) Intangible assets

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

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

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

(g) Investment property

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

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Financial instruments

(i) Classification

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

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

The Company 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.

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

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

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss

3 Significant accounting policies, continued

(h) Financial instruments, continued

(i) Classification, continued

- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

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

- the Company upon initial recognition designates as at fair value through profit or loss
- the Company 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 statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

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

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

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

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

(iv) Amortised cost

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

3 Significant accounting policies, continued

(h) Financial instruments, continued

(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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company 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 Company 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 Company 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 Company measures assets and long positions at the bid price and liabilities and short positions at the ask price.

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

(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 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.

3 Significant accounting policies, continued

(h) Financial instruments, continued

(vii) Derecognition

The Company 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 Company 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 Company is recognised as a separate asset or liability in the statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

In transactions where the Company 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 Company 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.

The Company writes off assets deemed to be uncollectible.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the 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.

(i) Impairment

The Company 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 Company 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 Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data related to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

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

3 Significant accounting policies, continued

(i) Impairment, continued

(i) Financial assets carried at amortised cost

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

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company 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 an 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 Company 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 an investment held-to-maturity or a receivable is uncollectable, it is written off against the related allowance for impairment. The Company writes off an investments held-to-maturity or a receivable balance (and any related allowances for losses) when management determines that the investments held-to-maturity and receivables are uncollectible and when all necessary steps to collect the assets are completed.

(ii) Financial assets carried at cost

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

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

3 Significant accounting policies, continued

(i) Impairment, continued

(iii) Available-for-sale financial assets

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

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

(iv) Non financial assets

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.

(j) Provisions

A provision is recognised in the statement of financial position when the Company 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.

(k) Share capital

(i) Ordinary shares

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

(ii) Repurchase of share capital

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

3 Significant accounting policies, continued

(k) Share capital, continued

(iii) Dividends

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

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

(l) Taxation

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

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

Deferred tax 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 initial recognition of assets or liabilities that affects neither accounting nor taxable profit.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company 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.

(m) Income and expense recognition

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

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

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

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

(n) 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 financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Company plans to adopt these pronouncements when they become effective.

3 Significant accounting policies, continued

(n) New standards and interpretations not yet adopted, continued

- IFRS 9 *Financial Instruments*, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the financial statements. The Company has not analysed the impact of these changes yet. The Company does not intend to adopt this standard early.
- Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Company has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Insurance risk management

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

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

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

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

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

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

4 Insurance risk management, continued

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

(i) Underwriting strategy

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

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

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

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

(ii) Reinsurance strategy

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

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

The Company does not utilise any stop-loss reinsurance.

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

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

(i) Insurance contracts – Employer's liability

Product features

The purpose of the employer's liability obligatory insurance is to insure an employee in the event of death or injury whilst at work. Income from this product is generated from the receipt of insurance and reinsurance premiums less amounts paid to cover claims and expenses incurred by the Company. The amount payable to an employee in the event of death or injury is set in accordance with the laws of the Republic of Kazakhstan. As a result of the long period that it typically takes to finalise and settle claims for a given accident year, employer's liability is regarded as 'long tail' business.

Risk management

The key risks associated with this product are underwriting risk, such as, uncertainty in calculation of the insurance payment and others. The estimated size of the reported loss is calculated based on the following information:

4 Insurance risk management, continued

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

(i) Insurance contracts – Employer's liability, continued

- in case of persistent disablement of the employee:

- amount of the lost future wages (income) to be reimbursed

- repayment period – the period of establishing physical disability by the medical expert committee (it may be several years for lifetime disability benefit)

- degree of employer's culpability

- in case of death:

- funeral expenses

- number of persons having the right to be reimbursed for harm as required by the laws of the Republic of Kazakhstan

- age of persons having the right to be reimbursed for harm as required by the laws of the Republic of Kazakhstan

- amount of the lost future wages (income) to be reimbursed

- period of insurance payments.

Insurance risk is managed primarily through pricing, product design, underwriting and payments' management. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

(ii) Insurance contracts – Property

Product features

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

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

Risk management

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

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

The Company operates in a competitive environment and is hence under the risk of writing premiums with reference to the competitors' pricing strategies rather than to its own loss experience.

Property classes are exposed to the risk that the insured will make false or invalid claims, or exaggerate the amount claimed following a loss. This largely explains why economic conditions correlate with the profitability of a property portfolio. Insurance risk is managed primarily through pricing, independent assessment of property under international standards, product design, risk selection and reinsurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

4 Insurance risk management, continued

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

(ii) Insurance contracts – Property, continued

Risk management, continued

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

(iii) Insurance contracts – General civil liability

Product features

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

Risk management

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

(iv) Insurance contracts – Accident

Product features

The purpose of the accident insurance is to insure the policyholder's property interests in the event of accident and causing injury to life or health. This product generates income from the insurance and reinsurance premiums less amounts paid to cover claims and expenses incurred by the Company. The amount payable to a policyholder in the event of death, disability or damage to health is fixed.

The insured events comprise disability of the first, second and third categories, and accidental death. There is a number of exceptions from the insured events, in case of which the insurer bears no responsibility; such exceptions include disability or death from any disease, including occupational disease.

Risk management

The key risks associated with this product are underwriting risk and competitive risk. Underwriting risk in the insurance is the risk of charging inappropriate tariff rates (understated tariffs may result in losses, while the overstated rates may result in loss of business) and possible anti-selection. To avoid these risks the Company breaks down the potential clients into groups, which are homogenous in terms of mortality (insured event) and makes decision based on such breakdown. In determining the tariffs and making decision on acceptance for insurance, the following factors are taking into consideration: type of activity an insured is engaged in, age, dangerous hobbies, whether the insured had injuries prior to signing the contract, availability of a motor vehicle, traffic-related offences, etc. Analysis of such information makes possible to screen persons exposed to high accident risk.

The Company is operating in the competitive environment and, therefore, is exposed to the risk that it sets the insurance premiums relying more on the pricing strategies of the competitors that on its own loss experience.

4 Insurance risk management, continued

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

(iv) Insurance contracts – Accident, continued

As a part of the insurance process, the risk concentration may arise from one specific case or a series of cases, which may significantly affect the Company's liabilities. Such concentrations may arise in connection with a single insurance contract or a small number of the related insurance contracts and relate to the circumstances that may give rise to significant liabilities.

Insurance risk is managed mostly by means of pricing, product design, underwriting and management of insurance indemnities. Therefore, the Company monitors and responds to changes in general economic and commercial environment, in which it is operating.

(c) Concentration of insurance risk

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

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

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

(d) Total aggregate exposures

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

As at 31 December 2015 the Company had 54,420 insurance agreements that were in force (31 December 2014: 30,929 insurance agreements).

4 Insurance risk management, continued

(d) Total aggregate exposures, continued

(i) Exposure to various business lines

The key concentrations identified as at 31 December 2015 are:

Insurance type	Total insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
Property – voluntary	3,016,083,665	(1,235,524,772)	1,780,558,893
Employer's liability – obligatory	428,396,594	(38,584,934)	389,811,660
General liability – voluntary	496,921,763	(164,765,761)	332,156,002
Accident – voluntary	116,257,581	-	116,257,581
Vehicle owner's liability – voluntary	96,665,837	-	96,665,837
Railway transport – voluntary	88,500,306	(1,000,000)	87,500,306
Motor transport – voluntary	242,843,527	(181,036,229)	61,807,298
Air transport owner's liability – voluntary	96,062,951	(41,362,740)	54,700,211
Medical – voluntary	45,580,825	-	45,580,825
Water transport owner's liability – voluntary	1,918,689,039	(1,891,120,325)	27,568,714
Cargo – voluntary	24,570,751	-	24,570,751
Water transport – voluntary	26,034,519	(3,399,538)	22,634,981
Air transport – voluntary	9,314,349	(477,590)	8,836,759
Other voluntary	116,791,954	-	116,791,954
Other obligatory	61,477,746	-	61,477,746
Total	**6,784,191,407**	**(3,557,271,889)**	**3,226,919,518**

The key concentrations identified as at 31 December 2014 were:

Insurance type	Total insured amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
Property – voluntary	2,384,308,497	(727,722,802)	1,656,585,695
General liability – voluntary	346,706,979	(57,233,892)	289,473,087
Employer's liability – obligatory	257,747,432	-	257,747,432
Accident – voluntary	84,814,909	(2,000,000)	82,814,909
Railway transport – voluntary	80,165,749	(327,450)	79,838,299
Vehicle owner's liability – voluntary	73,816,994	-	73,816,994
Medical – voluntary	45,834,146	-	45,834,146
Motor transport – voluntary	191,037,794	(159,203,084)	31,834,710
Air transport owner's liability – voluntary	149,644,840	(122,987,413)	26,657,427
Water transport owner's liability – voluntary	1,476,700,865	(1,454,204,615)	22,496,250
Water transport – voluntary	21,862,381	(6,751,587)	15,110,794
Cargo – voluntary	10,395,507	-	10,395,507
Air transport – voluntary	19,718,817	(13,722,089)	5,996,728
Other voluntary	47,845,777	-	47,845,777
Other obligatory	35,027,771	-	35,027,771
Total	**5,225,628,458**	**(2,544,152,932)**	**2,681,475,526**

4 Insurance risk management, continued

(d) Total aggregate exposures, continued

(ii) Exposure by other countries

The Company is exposed to risks by the following countries other than the Republic of Kazakhstan as at 31 December 2015:

Country	Total insurance amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
India	148,867,974	(32,316,066)	116,551,908
Azerbaijan	109,895,124	-	109,895,124
Georgia	50,734,935	-	50,734,935
United Kingdom	1,531,836,956	(1,487,409,000)	44,427,956
Denmark	164,496,775	(131,326,357)	33,170,418
Turkey	297,854,973	(264,911,106)	32,943,867
Other countries	477,144,011	(63,034,100)	414,109,911
Total exposure (not including Kazakhstan)	**2,780,830,748**	**(1,978,996,629)**	**801,834,119**
Kazakhstan	4,003,360,659	(1,578,275,260)	2,425,085,399
Total	**6,784,191,407**	**(3,557,271,889)**	**3,226,919,518**

The Company was exposed to risks by the following countries other than the Republic of Kazakhstan as at 31 December 2014:

Country	Total insurance amount '000 KZT	Reinsurance amount '000 KZT	Net retention (after reinsurance) '000 KZT
Azerbaijan	80,036,112	-	80,036,112
Georgia	63,526,675	-	63,526,675
United Kingdom	1,014,668,212	(993,500,745)	21,167,467
Turkey	106,826,930	(91,390,000)	15,436,930
Denmark	106,958,222	(93,592,766)	13,365,456
Italy	114,276,234	(102,848,610)	11,427,624
Other countries	602,514,501	(53,497,135)	549,017,366
Total exposure (not including Kazakhstan)	**2,088,806,886**	**(1,334,829,256)**	**753,977,630**
Kazakhstan	3,136,821,572	(1,209,323,676)	1,927,497,896
Total	**5,225,628,458**	**(2,544,152,932)**	**2,681,475,526**

4 Insurance risk management, continued

(d) Total aggregate exposures, continued

(iii) Exposure to catastrophe events

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

The key concentration identified as at 31 December 2015 is:

Catastrophe events	Total insurance amount '000 KZT	Estimated PML (before reinsurance) '000 KZT	Net retention (after reinsurance) '000 KZT
Almaty earthquake with magnitude exceeding seven points under Richter scale	195,764,329	24,470,541	7,341,162

The key concentration identified as at 31 December 2014 is:

Catastrophe events	Total insurance amount '000 KZT	Estimated PML (before reinsurance) '000 KZT	Net retention (after reinsurance) '000 KZT
Almaty earthquake with magnitude exceeding seven points under Richter scale	160,138,692	23,580,160	4,716,032

(e) Claims development

The Company uses statistical methods for insurance contract provisioning. Uncertainty about the amount and timing of claims payment for all insurance contracts, except employer's civil liability, is typically resolved within one year.

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

4 Insurance risk management, continued

(e) Claims development, continued

Analysis of claims development (gross) – total

	Accident year								
'000 KZT	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Estimate of cumulative claims									
At end of accident year	6,401,579	6,676,240	4,006,060	4,581,488	11,596,375	18,238,580	37,028,448	30,035,409	118,564,179
- one year later	5,147,223	3,478,858	3,420,493	8,591,395	9,494,615	15,038,944	40,275,797	-	85,447,325
- two years later	4,072,957	2,893,257	3,826,623	8,750,692	9,739,619	17,006,262	-	-	46,289,410
- three years later	3,505,367	3,117,903	3,879,222	9,249,356	9,973,333	-	-	-	29,725,181
- four years later	3,689,081	3,437,818	4,075,218	9,544,563	-	-	-	-	20,746,680
- five years later	3,938,479	3,766,921	4,176,499	-	-	-	-	-	11,881,899
- six years later	4,223,290	4,343,939	-	-	-	-	-	-	8,567,229
- seven years later	4,631,841	-	-	-	-	-	-	-	4,631,841
Estimate of cumulative claims as at 31 December 2015	**4,631,841**	**4,343,939**	**4,176,499**	**9,544,563**	**9,973,333**	**17,006,262**	**40,275,797**	**30,035,409**	**119,987,643**
Cumulative payments to 31 December 2015	(4,218,737)	(3,720,282)	(3,547,950)	(8,754,184)	(9,064,866)	(12,778,195)	(12,958,025)	(5,871,213)	(60,913,452)
Gross outstanding claims liabilities as at 31 December 2015	**413,104**	**623,657**	**628,549**	**790,379**	**908,467**	**4,228,067**	**27,317,772**	**24,164,196**	**59,074,191**
Estimate of cumulative claims as at 31 December 2014	**4,223,290**	**3,766,921**	**4,075,218**	**9,249,356**	**9,739,619**	**15,038,944**	**37,028,448**	-	**83,121,796**
Cumulative payments to 31 December 2014	(3,903,640)	(3,293,364)	(3,292,678)	(8,153,835)	(8,617,409)	(9,319,857)	(5,248,538)	-	(41,829,321)
Gross outstanding claims liabilities as at 31 December 2014	**319,650**	**473,557**	**782,540**	**1,095,521**	**1,122,210**	**5,719,087**	**31,779,910**	-	**41,292,475**

4 Insurance risk management, continued

(e) Claims development, continued

Analysis of claims development (gross) – employer's liability

	Accident year								
'000 KZT	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimate of cumulative claims									
At end of accident year	2,010,923	3,391,900	1,478,480	432,488	1,099,942	1,109,279	1,838,563	610,249	11,971,824
- one year later	2,688,617	1,676,179	785,985	436,205	387,351	447,427	798,288	-	7,220,052
- two years later	2,129,902	1,250,463	1,032,398	474,792	473,355	500,238	-	-	5,861,148
- three years later	1,864,352	1,404,234	1,192,916	565,318	725,844	-	-	-	5,752,664
- four years later	1,929,625	1,685,714	1,415,574	788,285	-	-	-	-	5,819,198
- five years later	2,097,248	2,101,134	2,376,671	-	-	-	-	-	6,575,053
- six years later	2,577,654	3,390,397	-	-	-	-	-	-	5,968,051
- seven years later	3,462,247	-	-	-	-	-	-	-	3,462,247
Estimate of cumulative claims as at 31 December 2015	**3,462,247**	**3,390,397**	**2,376,671**	**788,285**	**725,844**	**500,238**	**798,288**	**610,249**	**12,652,219**
Cumulative payments to 31 December 2015	(2,465,231)	(2,057,970)	(1,271,983)	(393,710)	(238,513)	(155,265)	(213,525)	(29,015)	(6,825,212)
Gross outstanding claims liabilities as at 31 December 2015	**997,016**	**1,332,427**	**1,104,688**	**394,575**	**487,331**	**344,973**	**584,763**	**581,234**	**5,827,007**
Estimate of cumulative claims as at 31 December 2014	**2,577,654**	**2,101,134**	**1,415,574**	**565,318**	**473,355**	**447,427**	**1,838,563**	-	**9,419,025**
Cumulative payments to 31 December 2014	(2,150,168)	(1,635,721)	(1,096,869)	(370,499)	(233,220)	(151,268)	(109,784)	-	(5,747,529)
Gross outstanding claims liabilities as at 31 December 2014	**427,486**	**465,413**	**318,705**	**194,819**	**240,135**	**296,159**	**1,728,779**	-	**3,671,496**

5 Premiums

2015 '000 KZT	Obligatory			Voluntary					
	Employer's liability	Vehicle owner's liability	Other obligatory	Property	Medical	Air/Water/ Motor Transport	Accident	Other voluntary	Total
Gross premiums written	1,760,829	561,340	114,628	20,916,700	2,582,324	5,513,974	1,633,503	3,685,211	36,768,509
Change in the gross provision for unearned premiums	(95,678)	(194,796)	(18,063)	616,796	(45,245)	(460,913)	195,837	(1,396,103)	(1,398,165)
Gross earned premiums	**1,665,151**	**366,544**	**96,565**	**21,533,496**	**2,537,079**	**5,053,061**	**1,829,340**	**2,289,108**	**35,370,344**
Less: written premiums ceded to reinsurers	(1,899)	-	-	(3,497,440)	-	(254,771)	-	(214,294)	(3,968,404)
Reinsurers' share of change in the gross provision for unearned premiums	-	-	-	60,372	-	(43,999)	-	33,941	50,314
Ceded earned premiums	**(1,899)**	**-**	**-**	**(3,437,068)**	**-**	**(298,770)**	**-**	**(180,353)**	**(3,918,090)**
Net earned premiums	**1,663,252**	**366,544**	**96,565**	**18,096,428**	**2,537,079**	**4,754,291**	**1,829,340**	**2,108,755**	**31,452,254**

2014 '000 KZT	Obligatory			Voluntary					
	Employer's liability	Vehicle owner's liability	Other obligatory	Property	Medical	Air/Water/ Motor Transport	Accident	Other voluntary	Total
Gross premiums written	1,799,857	243,904	83,452	19,251,634	2,736,074	4,828,848	1,912,688	2,539,469	33,395,926
Change in the gross provision for unearned premiums	(317,417)	(8,348)	(10,494)	(847,858)	(182,921)	(425,348)	(1,141,148)	10,287	(2,923,247)
Gross earned premiums	**1,482,440**	**235,556**	**72,958**	**18,403,776**	**2,553,153**	**4,403,500**	**771,540**	**2,549,756**	**30,472,679**
Less: written premiums ceded to reinsurers	-	-	-	(2,919,546)	-	(499,633)	-	(77,037)	(3,496,216)
Reinsurers' share of change in the gross provision for unearned premiums	-	-	-	480,860	-	(127,868)	-	(204,566)	148,426
Ceded earned premiums	**-**	**-**	**-**	**(2,438,686)**	**-**	**(627,501)**	**-**	**(281,603)**	**(3,347,790)**
Net earned premiums	**1,482,440**	**235,556**	**72,958**	**15,965,090**	**2,553,153**	**3,775,999**	**771,540**	**2,268,153**	**27,124,889**

In 2015 gross written premium comprises of KZT 22,746,475 thousand assumed on direct insurance and KZT 14,022,034 thousand assumed on reinsurance (2014: KZT 18,306,851 thousand and KZT 15,089,075 thousand, respectively).

6 Claims incurred

	Obligatory			Voluntary					
2015 '000 KZT	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor Transport**	**Accident**	**Other voluntary**	**Total**
Claims paid	1,452,303	150,278	19,844	12,623,294	2,437,874	1,722,849	942,632	293,728	19,642,802
Reinsurers' share of claims incurred	(600)	(24,513)	-	(843,352)	-	(80,154)	-	(1,189)	(949,808)
Claims incurred, net of reinsurance	**1,451,703**	**125,765**	**19,844**	**11,779,942**	**2,437,874**	**1,642,695**	**942,632**	**292,539**	**18,692,994**
Change in provisions for incurred but not reported claims	1,219,918	(9,442)	1,556	1,661,923	(8,246)	(232,304)	1,727,826	122,005	4,483,236
Change in provisions for reported but not settled claims	1,073,364	69,043	180,176	11,222,775	660	425,159	326,135	512,365	13,809,677
Change in reinsurers' share in claims provisions	-	-	-	(476,519)	-	9,222	(2)	(5,688)	(472,987)
Change in net insurance contract provisions	**2,293,282**	**59,601**	**181,732**	**12,408,179**	**(7,586)**	**202,077**	**2,053,959**	**628,682**	**17,819,926**
Net claims incurred	**3,744,985**	**185,366**	**201,576**	**24,188,121**	**2,430,288**	**1,844,772**	**2,996,591**	**921,221**	**36,512,920**

	Obligatory			Voluntary					
2014 '000 KZT	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor Transport**	**Accident**	**Other voluntary**	**Total**
Claims paid	1,496,287	75,930	7,965	4,239,821	1,852,568	1,545,534	1,290,055	124,816	10,632,976
Reinsurers' share of claims incurred	-	-	-	(34,531)	-	(110,143)	-	(27,051)	(171,725)
Claims incurred, net of reinsurance	**1,496,287**	**75,930**	**7,965**	**4,205,290**	**1,852,568**	**1,435,391**	**1,290,055**	**97,765**	**10,461,251**
Change in provisions for incurred but not reported claims	1,165,701	(45,516)	(22)	1,115,358	37,581	(141,243)	(344,699)	31,434	1,818,594
Change in provisions for reported but not settled claims	37,706	(24,542)	2,678	23,609,640*	(1,088)	177,080	(22,771)	(5,813)	23,772,890
Change in reinsurers' share in claims provisions	-	-	-	(17,543,213)*	-	(47,520)	-	(198,864)	(17,789,597)
Change in net insurance contract provisions	**1,203,407**	**(70,058)**	**2,656**	**7,181,785**	**36,493**	**(11,683)**	**(367,470)**	**(173,243)**	**7,801,887**
Net claims incurred	**2,699,694**	**5,872**	**10,621**	**11,387,075**	**1,889,061**	**1,423,708**	**922,585**	**(75,478)**	**18,263,138**

* In 2014 several large insurance cases took place related to the contracts with Transnational Company KazKhrom JSC: the molten metal and slag breakout at furnace and the fire in the mining tunnel of furnace operation. Based on information received from loss adjuster and best estimates made by the management of the Company the reserve was provided in the amount of KZT 17,899,780 thousand as at 31 December 2015 (31 December 2014: KZT 17,899,780 thousand), included within property voluntary insurance class. The risk under these contracts was reinsured in proportion of 99%. As at 31 December 2015 the reinsurers' share in claims provisions was recognised in amount of KZT 17,720,782 thousand (31 December 2014: KZT 17,720,782 thousand).

7 Net finance income

	2015 '000 KZT	2014 '000 KZT
Finance income		
Interest income from:		
- held-to-maturity investments	6,700,763	5,342,327
- placements with banks	832,573	1,370,162
Dividend income	26	-
	7,533,362	**6,712,489**
Finance expenses		
Amortisation of the revaluation reserve of reclassified available-for-sale financial assets	(1,813)	(5,517)
Net realised loss on sale of available-for-sale financial assets and held-to-maturity investments	(216,644)	(341,061)
	(218,457)	**(346,578)**
	7,314,905	**6,365,911**

8 Net commission expense

	2015 '000 KZT	2014 '000 KZT
Commission income		
Property	28,188	2,592
Water transport	11,587	15,712
General liability	3,736	542
Other	-	90
	43,511	**18,936**
Commission expense		
Obligatory		
Vehicle owner's liability	(17,114)	(18,319)
Other obligatory	(3,866)	(6,236)
Voluntary		
Property	(1,783,201)	(2,355,010)
Medical	(137,710)	(176,735)
Air/water/motor transport	(272,359)	(254,502)
Accident	(151,288)	(266,150)
Other voluntary	(173,916)	(245,409)
	(2,539,454)	**(3,322,361)**
	(2,495,943)	**(3,303,425)**

9 Recovery of/(charge for) impairment losses

	2015 '000 KZT	2014 '000 KZT
Held-to-maturity investments	57,636	(663,799)
Insurance and reinsurance receivables	(8,209)	(16,810)
Other assets	(10,826)	47,115
	38,601	**(633,494)**

10 General administrative expenses

	2015 '000 KZT	2014 '000 KZT
Wages and salaries	3,595,914	2,424,448
Other taxes and duties	426,867	644,634
Consultants and professional services	357,826	207,832
Travel	138,139	250,005
Depreciation and amortisation	136,484	106,677
Utilities	97,866	98,004
Rent	79,669	40,213
Communication	60,903	16,480
Security	51,859	51,544
Bank charges	38,861	25,769
Advertisement	25,287	12,498
Repairs and maintenance	22,120	107,901
Penalties	4,758	41,054
Marketing	2,710	3,020
Other	303,615	180,921
	5,342,878	**4,211,000**

11 Income tax expense

	2015 '000 KZT	2014 '000 KZT
Current year tax expense	(8,418,337)	(1,454,588)
Current tax expense overprovided in prior years	108,849	19,624
Total current tax expense	**(8,309,488)**	**(1,434,964)**
Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance	(26,357)	(42,694)
Total income tax expense	**(8,335,845)**	**(1,477,658)**

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

11 Income tax expense, continued

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

	2015 '000 KZT	%	2014 '000 KZT	%
Profit before income tax	**46,951,142**	**100.0**	**8,536,831**	**100.0**
Income tax at the applicable tax rate	(9,390,228)	(20.0)	(1,707,366)	(20.0)
Non-taxable income from available-for-sale financial assets and held-to-maturity investments	1,051,200	2.2	827,556	9.7
Overprovided in prior years	108,849	0.2	19,624	0.2
Change in unrecognised deferred tax asset	(26,646)	(0.1)	38,164	0.4
Other non-deductible expenses	(79,020)	(0.1)	(655,636)	(7.6)
	(8,335,845)	**(17.8)**	**(1,477,658)**	**(17.3)**

(a) 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 as at 31 December 2015 and 31 December 2014. These deferred tax assets are not fully recognised in these 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 Company's ability to claim the deductions in future periods.

The deductible temporary differences do not expire under current tax legislation.

Movement in temporary differences during the year ended 31 December 2015 is presented as follows:

'000 KZT	Balance 1 January 2015	Recognised in profit or loss	Balance 31 December 2015
Insurance and reinsurance receivables	7,068	(349)	6,719
Property, equipment and intangible assets	(72,527)	(16,290)	(88,817)
Taxes	3,851	16,143	19,994
Vacation and bonuses reserve	180,144	785	180,929
	118,536	**289**	**118,825**
Unrecognised assets	(119,958)	(26,646)	(146,604)
	(1,422)	**(26,357)**	**(27,779)**

Movement in temporary differences during the year ended 31 December 2014 is presented as follows:

'000 KZT	Balance 1 January 2014	Recognised in profit or loss	Balance 31 December 2014
Insurance and reinsurance receivables	23,131	(16,063)	7,068
Property, equipment and intangible assets	(36,736)	(35,791)	(72,527)
Taxes	10,554	(6,703)	3,851
Vacation and bonuses reserve	202,445	(22,301)	180,144
	199,394	**(80,858)**	**118,536**
Unrecognised assets	(158,122)	38,164	(119,958)
	41,272	**(42,694)**	**(1,422)**

12 Cash and cash equivalents

	2015 '000 KZT	2014 '000 KZT
Cash on hand	618	757
Current accounts and demand deposits in banks		
Kazakhstan banks		
Rated from B1 to Baa1	233	1,019,479
Rated from B3 to B2	97,833	132
	98,066	**1,019,611**
Foreign bank rated A2	29	-
Total current accounts and demand deposits in banks	**98,095**	**1,019,611**
	98,713	**1,020,368**

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

No cash and cash equivalents are impaired or past due.

As at 31 December 2015 and 31 December 2014 the Company had no balances with banks, whose balances exceeded 10% of equity.

13 Placements with banks

	2015 '000 KZT	2014 '000 KZT
Loans and deposits		
Kazakhstan banks		
Rated from B1 to Baa1	2,706,176	12,700,523
Rated from Caa1 to B2	7,565,370	9,103,382
	10,271,546	**21,803,905**

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

As at 31 December 2015, the annual effective interest rates generated by placement with banks ranged between 4% and 17% per annum (31 December 2014: 0.1% and 15%).

No placements with banks are impaired or past due.

As at 31 December 2015 and 31 December 2014 the Company had no placements with banks, whose balances exceeded 10% of equity.

14 Held-to-maturity investments

	2015 '000 KZT	2014 '000 KZT
Not overdue or impaired		
Government bonds of the Republic of Kazakhstan		
Rated Baa1	33,416,668	2,010,983
Government bonds of foreign states		
Rated Aa1-Aa3	4,652,315	2,706,802
Rated A1-A3	4,048,345	2,394,529
Rated Baa1-Baa3	1,611,791	913,243
Total government bonds	**43,729,119**	**8,025,557**
Bonds of foreign corporations and international financial organisations		
Rated Aaa	3,434,561	4,021,469
Rated A1-A3	15,827,812	6,785,978
Rated Baa1-Baa3	3,028,262	2,225,322
Rated Ba1-Ba3	935,315	883,542
Rated B1-B3	1,637,466	-
Total bonds of foreign corporations and international financial organisations	**24,863,416**	**13,916,311**
Bonds of Kazakhstan banks		
Rated Baa1-Baa3	-	351,840
Rated Ba1-Ba3	16,093,852	10,900,632
Rated B1-B3	22,504,870	17,081,489
Rated Caa1-Caa3	914,830	-
Total bonds of Kazakhstan banks	**39,513,552**	**28,333,961**
Corporate bonds of Kazakhstan companies		
Rated Baa1-Baa3	21,438,805	15,563,435
Rated Ba1-Ba3	-	2,648,963
Not rated	60,457	-
Total corporate bonds of Kazakhstan companies	**21,499,262**	**18,212,398**
Overdue or impaired bonds		
Corporate bonds of Kazakhstan companies	197,186	1,156,011
Impairment allowance	(70,000)	(994,298)
Total overdue or impaired bonds, net	**127,186**	**161,713**
	129,732,535	**68,649,940**

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

As at 31 December 2015 the Company has financial instruments of 3 issuers (2014: no), whose balance exceeds 10% of equity each. The total gross value of these balances as at 31 December 2015 is KZT 60,395,712 thousand.

Movements in the impairment allowance on investments held to maturity for the years ended 31 December are as follows:

	2015 '000 KZT	2014 '000 KZT
Balance at the beginning of the year	(994,298)	(564,526)
Net recovery/(charge)	57,636	(663,799)
Write-offs	866,662	234,027
Balance at the end of the year	**(70,000)**	**(994,298)**

As at 31 December 2015, the annual effective interest rates generated by investments held to maturity ranged between 4.17% and 18.26% per annum (31 December 2014: 2.69% and 18.80%). As at 31 December 2015 the maturity of the investments held to maturity is from March 2016 to July 2045 (2014: from January 2015 to November 2043).

15 Investment property

'000 KZT	Land and buildings
Cost	
Balance at 1 January 2015	1,300,651
Additions	293,026
Balance at 31 December 2015	**1,593,677**
Depreciation	
Balance at 1 January 2015	(25,273)
Depreciation for the year	(19,332)
Balance at 31 December 2015	**(44,605)**
Carrying amount	
At 31 December 2015	**1,549,072**

'000 KZT	Land and buildings
Cost	
Balance at 1 January 2014	724,630
Additions	576,021
Balance at 31 December 2014	**1,300,651**
Depreciation	
Balance at 1 January 2014	(13,490)
Depreciation for the year	(11,783)
Balance at 31 December 2014	**(25,273)**
Carrying amount	
At 31 December 2014	**1,275,378**

As at 31 December 2015 and 31 December 2014 the carrying value of the investment property approximates its fair value. In 2015 and 2014 the Company performed an internal valuation of investment property. The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar properties. The fair values of investment properties are categorised into Level 2 of the fair value hierarchy.

16 Property, equipment and intangible assets

'000 KZT	Land and buildings	Computers and equipment	Vehicles	Construction in progress	Other	Intangible assets	Total
Cost							
Balance at 1 January 2015	736,456	241,393	185,553	-	292,124	87,666	1,543,192
Additions	19,764	27,109	45,452	318,400	21,429	41,757	473,911
Disposals	-	(9,804)	(9,385)	-	(91,857)	-	(111,046)
Write-offs	(3,148)	-	-	-	-	-	(3,148)
Balance at 31 December 2015	**753,072**	**258,698**	**221,620**	**318,400**	**221,696**	**129,423**	**1,902,909**
Depreciation and amortisation							
Balance at 1 January 2015	(71,694)	(164,623)	(76,292)	-	(153,134)	(36,725)	(502,468)
Depreciation and amortisation for the year	(6,652)	(22,976)	(46,476)	-	(22,589)	(18,459)	(117,152)
Disposals	-	5,708	6,564	-	56,336	-	68,608
Write-offs	3,148	-	-	-	-	-	3,148
Balance at 31 December 2015	**(75,198)**	**(181,891)**	**(116,204)**	**-**	**(119,387)**	**(55,184)**	**(547,864)**
Carrying amount							
At 31 December 2015	**677,874**	**76,807**	**105,416**	**318,400**	**102,309**	**74,239**	**1,355,045**
Cost							
Balance at 1 January 2014	369,483	172,595	145,270	-	183,815	84,922	956,085
Additions	366,973	68,798	117,674	-	108,979	2,744	665,168
Disposals	-	-	(77,391)	-	(670)	-	(78,061)
Balance at 31 December 2014	**736,456**	**241,393**	**185,553**	**-**	**292,124**	**87,666**	**1,543,192**
Depreciation and amortisation							
Balance at 1 January 2014	(61,722)	(149,051)	(113,276)	-	(140,885)	(19,646)	(484,580)
Depreciation and amortisation for the year	(9,972)	(15,572)	(40,017)	-	(12,254)	(17,079)	(94,894)
Disposals	-	-	77,001	-	5	-	77,006
Balance at 31 December 2014	**(71,694)**	**(164,623)**	**(76,292)**	**-**	**(153,134)**	**(36,725)**	**(502,468)**
Carrying amount							
At 31 December 2014	**664,762**	**76,770**	**109,261**	**-**	**138,990**	**50,941**	**1,040,724**

17 Insurance and reinsurance receivables

	2015 '000 KZT	2014 '000 KZT
Amounts due from policyholders	1,085,348	749,110
Amounts due from reinsurers	5,301,247	3,160,829
	6,386,595	**3,909,939**
Impairment allowance	(33,594)	(35,341)
	6,353,001	**3,874,598**

As at 31 December 2015 and 31 December 2014 the Company had no policyholders, whose amounts due exceeded 10% of equity.

Movements in the impairment allowance on insurance and reinsurance receivables for the years ended 31 December are as follows:

	2015 '000 KZT	2014 '000 KZT
Balance at the beginning of the year	(35,341)	(115,656)
Net charge	(8,209)	(16,810)
Write-offs	9,956	97,125
Balance at the end of the year	**(33,594)**	**(35,341)**

Credit quality of insurance and reinsurance receivables

The following table provides information on the credit quality of insurance and reinsurance receivables as at 31 December 2015:

31 December 2015	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance to gross receivables, %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not past due date	721,970	-	721,970	-
Overdue or impaired:				
- overdue less than 90 days	279,355	-	279,355	-
- overdue more than 90 days and less than 1 year	75,107	-	75,107	-
- overdue more than 1 year	8,916	(8,916)	-	100
Total overdue or impaired receivables due from policy holders	363,378	(8,916)	354,462	2
Total amounts due from policy holders	**1,085,348**	**(8,916)**	**1,076,432**	**1**
Amounts due from reinsurers				
Not past due date	4,380,582	-	4,380,582	-
Overdue or impaired:				
- overdue less than 90 days	789,311	-	789,311	-
- overdue more than 90 days and less than 1 year	106,676	-	106,676	-
- overdue more than 1 year	24,678	(24,678)	-	100
Total overdue or impaired receivables due from reinsurers	920,665	(24,678)	895,987	3
Total amounts due from reinsurers	**5,301,247**	**(24,678)**	**5,276,569**	**-**
Total amounts due from policyholders and reinsurers	**6,386,595**	**(33,594)**	**6,353,001**	**1**

17 Insurance and reinsurance receivables, continued

Credit quality of insurance and reinsurance receivables, continued

The following table provides information on the credit quality of insurance and reinsurance receivables as at 31 December 2014:

31 December 2014	Gross receivables '000 KZT	Impairment allowance '000 KZT	Net receivables '000 KZT	Impairment allowance to gross receivables, %
Amounts due from policyholders and reinsurers				
Amounts due from policyholders				
Not past due date	547,783	-	547,783	-
Overdue or impaired:				
- overdue less than 90 days	92,722	-	92,722	-
- overdue more than 90 days and less than 1 year	83,685	-	83,685	-
- overdue more than 1 year	24,920	(24,920)	-	100
Total overdue or impaired receivables due from policy holders	201,327	(24,920)	176,407	12
Total amounts due from policy holders	**749,110**	**(24,920)**	**724,190**	3
Amounts due from reinsurers				
Not past due date	2,805,475	-	2,805,475	-
Overdue or impaired:				
- overdue less than 90 days	190,483	-	190,483	-
- overdue more than 90 days and less than 1 year	154,449	-	154,449	-
- overdue more than 1 year	10,422	(10,422)	-	100
Total overdue or impaired receivables due from reinsurers	355,354	(10,422)	344,932	3
Total amounts due from reinsurers	**3,160,829**	**(10,422)**	**3,150,407**	-
Total amounts due from policyholders and reinsurers	**3,909,939**	**(35,341)**	**3,874,598**	**1**

18 Insurance contract provisions and reinsurers' share in insurance contract provisions

	Gross 2015 '000 KZT	Reinsurance 2015 '000 KZT	Net 2015 '000 KZT
Unearned premium provision	13,747,948	(1,425,549)	12,322,399
Provision for claims incurred but not reported	10,882,927	(669,905)	10,213,022
Provision for claims reported but not settled	49,911,729	(18,866,946)	31,044,783
	74,542,604	**(20,962,400)**	**53,580,204**

	Gross 2014 '000 KZT	Reinsurance 2014 '000 KZT	Net 2014 '000 KZT
Unearned premium provision	12,349,783	(1,375,235)	10,974,548
Provision for claims incurred but not reported	6,399,691	(334,807)	6,064,884
Provision for claims reported but not settled	36,102,052	(18,729,057)	17,372,995
	54,851,526	**(20,439,099)**	**34,412,427**

18 Insurance contract provisions and reinsurers' share in insurance contract provisions, continued

(a) Analysis of movements in insurance contract provisions

	2015 '000 KZT	2014 '000 KZT
Balance at the beginning of the year	34,412,427	23,835,719
Premiums written	36,768,509	33,395,926
Premiums earned	(35,370,344)	(30,472,679)
Claims reported	30,257,713	35,540,637
Claims paid	(19,458,741)	(10,520,042)
New provisions established in the year	8,411,830	5,109,536
Change in loss adjustment expense provision	3,010,705	(1,247,705)
Change in provisions for prior year claims	(3,928,594)	(3,290,942)
Change in reinsurers' share	(523,301)	(17,938,023)
Balance at the end of the year	**53,580,204**	**34,412,427**

(b) Analysis of movements in unearned premium provision

	2015 '000 KZT	2014 '000 KZT
Balance at the beginning of the year	10,974,548	8,199,727
Premiums received	36,768,509	33,395,926
Premiums earned	(35,370,344)	(30,472,679)
Change in reinsurers' share	(50,314)	(148,426)
Balance at the end of the year	**12,322,399**	**10,974,548**

(c) Analysis of movements in provisions for claims incurred but not reported

	2015 '000 KZT	2014 '000 KZT
Balance at the beginning of the year	6,064,884	4,581,097
New provisions established in the year	8,411,830	5,109,536
Change in provision for prior years claims	(3,928,594)	(3,290,942)
Change in reinsurers' share	(335,098)	(334,807)
Balance at the end of the year	**10,213,022**	**6,064,884**

(d) Analysis of movements in provisions for claims reported but not settled

	2015 '000 KZT	2014 '000 KZT
Balance at the beginning of the year	17,372,995	11,054,895
Current year' claims reported	21,623,579	31,962,893
Prior year' claims reported	8,634,134	3,577,744
Change in loss adjustment expense provision	3,010,705	(1,247,705)
Current year' claims paid	(5,871,213)	(5,248,538)
Prior years' claims paid	(13,587,528)	(5,271,504)
Change in reinsurers' share	(137,889)	(17,454,790)
Balance at the end of the year	**31,044,783**	**17,372,995**

18 Insurance contract provisions and reinsurers' share in insurance contract provisions, continued

(e) Analysis of insurance contract provisions by main lines of business

	Obligatory			Voluntary					
2015 '000 KZT	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**Other voluntary**	**Total**
Unearned premiums provision	1,001,212	297,412	59,956	5,671,045	871,614	2,603,278	986,069	2,257,362	13,747,948
Provision for claims incurred but not reported	3,675,774	25,682	5,779	4,785,810	129,449	104,121	1,891,502	264,810	10,882,927
Provision for claims reported but not settled	2,487,960	96,177	192,038	44,462,405	944	1,533,800	334,011	804,394	49,911,729
Gross insurance contract provisions	**7,164,946**	**419,271**	**257,773**	**54,919,260**	**1,002,007**	**4,241,199**	**3,211,582**	**3,326,566**	**74,542,604**
Reinsurers' share in insurance contract provisions	-	-	-	(20,540,037)	-	(50,435)	(2)	(371,926)	(20,962,400)
Net insurance contract provisions	**7,164,946**	**419,271**	**257,773**	**34,379,223**	**1,002,007**	**4,190,764**	**3,211,580**	**2,954,640**	**53,580,204**

	Obligatory			Voluntary					
2014 '000 KZT	**Employer's liability**	**Vehicle owner's liability**	**Other obligatory**	**Property**	**Medical**	**Air/Water/ Motor transport**	**Accident**	**Other voluntary**	**Total**
Unearned premiums provision	905,534	102,616	41,893	6,287,841	826,369	2,142,365	1,181,906	861,259	12,349,783
Provision for claims incurred but not reported	2,455,856	35,124	4,223	3,123,887	137,695	336,425	163,676	142,805	6,399,691
Provision for claims reported but not settled	1,414,596	27,134	11,862	33,239,630	284	1,108,641	7,876	292,029	36,102,052
Gross insurance contract provisions	**4,775,986**	**164,874**	**57,978**	**42,651,358**	**964,348**	**3,587,431**	**1,353,458**	**1,296,093**	**54,851,526**
Reinsurers' share in insurance contract provisions	-	-	-	(20,003,146)	-	(103,656)	-	(332,297)	(20,439,099)
Net insurance contract provisions	**4,775,986**	**164,874**	**57,978**	**22,648,212**	**964,348**	**3,483,775**	**1,353,458**	**963,796**	**34,412,427**

18 Insurance contract provisions and reinsurers' share in insurance contract provisions, continued

(f) Key provision assumptions

The process used to determine the assumptions is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is, however, a general lack of publicly available information on the Kazakhstan insurance market that would be relevant to identification of assumptions and sensitivities.

The nature of the business makes it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate cost of the loss is difficult to estimate. The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

Provisions for claims incurred but not reported ("IBNR") are estimated using a range of chain ladder statistical methods. Such methods extrapolate the development of paid and incurred claims for each accident year based upon observed development of earlier years.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case. Such reasons include economic, legal, political and social trends, change in mix of business, random fluctuations, including the impact of large losses.

The assumptions that have the greatest effect on the measurement of general insurance contract provisions are the expected loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to earned premiums. When determining the total liability, the projection of future cash flows includes the estimated values of parameters that can affect the amount of an individual claim.

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

19 Other assets

	2015 '000 KZT	2014 '000 KZT
Investment account for purchase of financial instruments	3,383,099	-
Insurance acquisition costs	942,678	1,588
Other receivables	560,097	326,008
Impairment allowance	(13,769)	(11,687)
Total other financial assets	**4,872,105**	**315,909**
Wage settlements	174,827	213,820
Materials and supplies	10,303	35,113
Total other non-financial assets	**185,130**	**248,933**
Total other assets	**5,057,235**	**564,842**

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

	2015 '000 KZT	2014 '000 KZT
Balance at the beginning of the year	(11,687)	(359)
Net (charge)/recovery	(10,826)	47,115
Write-offs	8,744	(58,443)
Balance at the end of the year	**(13,769)**	**(11,687)**

As at 31 December 2015, included in other assets are overdue receivables of KZT 70,599 thousand (2014: KZT 12,922 thousand), of which KZT 3,195 thousand (2014: KZT 4,308 thousand) are overdue for more than 90 days, but less than one year and KZT 2,870 thousand (2014: KZT 8,303 thousand) are overdue for more than one year.

20 Insurance and reinsurance payables

	2015 '000 KZT	2014 '000 KZT
Reinsurance payables	790,057	331,634
Prepaid insurance premiums	256,470	973,864
Insurance payables	195,222	224,839
Brokers' fees payable	23,829	42,974
	1,265,578	1,573,311

The entire amount of reinsurance payables is represented by payables for written premiums ceded to reinsurers.

21 Other liabilities

	2015 '000 KZT	2014 '000 KZT
Payable to employees	904,642	900,715
Other taxes payable	294,072	68,645
Other payables	90,235	102,858
	1,288,949	1,072,218

22 Equity

(a) Share capital

	Ordinary shares 2015	Ordinary shares 2014
Authorised shares (ordinary shares)	75,000,000	75,000,000
Issued and outstanding shares (ordinary shares)	56,541,165	54,296,000
Nominal value, KZT'000	1	1
Issued and fully paid, KZT'000	**56,541,165**	**54,296,000**

During the year ended 31 December 2015 the Company has issued 2,245,165 ordinary shares (31 December 2014: 5,666,840 shares) at their nominal value.

(b) Capital management

The Company is subject to the regulatory requirements of the Republic of Kazakhstan regarding solvency margin as defined by regulations of the NBRK.

The Company is required to maintain a solvency margin ratio at not less than one. The solvency margin ratio is determined by division of the actual solvency margin by the minimum required solvency margin. The minimum required solvency margin is a composite measure based on a number of factors including net earned premiums, claims paid and premiums ceded to foreign reinsurers. As at 31 December 2015 and 31 December 2014, the Company complies with the solvency margins which are as follows:

	2015 '000 KZT	2014 '000 KZT
Actual solvency margin	59,534,630	50,033,991
Minimum solvency margin	9,789,788	9,676,445
Normative solvency margin	**6.08**	**5.17**

(c) Dividends

In accordance with Kazakhstan legislation 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 IFRS or profit for the year 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. In accordance with the legislation of the Republic of Kazakhstan, as at the reporting date, reserves available for distribution amounted to KZT 37,348,359 thousand (31 December 2014: KZT 7,378,644 thousand).

During the year ended 31 December 2015 dividends of KZT 5,715,625 thousand or KZT 105.27 per share were declared and paid (2014: KZT 5,246,840 thousand or KZT 96.63 per share), of which shareholders reinvested KZT 2,034,625 thousand as a contribution to share capital (2014: KZT 5,246,840 thousand).

(d) Statutory reserve

In 2015 the Company transferred KZT 2,929,957 thousand from retained earnings to reserve capital (31 December 2014: KZT 583,456 thousand from reserve capital to retained earnings) as in accordance with the Regulation of FMSC # 76 dated 6 May 2014 on "Creating and maintaining insurance reserves" effective 16 May 2014, the Company shall create a stabilisation reserve for insurance products that demonstrate loss rates exceeding the average loss rate for three preceding years.

23 Risk management

(a) Risk management policies and procedures

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

The risk management policies aim to identify, analyse and manage the risks faced by the Company, 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 Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Company operates within established risk parameters. The Head of the Risk Department 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. He reports directly to the Board of Directors and indirectly to the Chairman.

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

(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 and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

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 Department, which is controlled by the Board of Directors. Market risk limits are approved by the Board of Directors.

The Company 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.

The management of the interest rates risk component of market risk by monitoring the interest rate gap is supplemented by monitoring the sensitivity of the Company's net interest margin to various standard and non-standard interest rate scenarios.

(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 Company 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.

23 Risk management, continued

(b) Market risk, continued

(ii) Currency risk

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

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2015:

'000 KZT	KZT	USD	EUR	GBP	RUB	Other	Total
Assets							
Cash and cash equivalents	15,355	234	83,084	39	1	-	98,713
Placements with banks	4,161,629	6,109,917	-	-	-	-	10,271,546
Available-for-sale financial assets	19,121	-	-	-	-	-	19,121
Held-to-maturity investments	25,172,262	90,068,784	9,437,068	1,262,708	3,791,713	-	129,732,535
Insurance and reinsurance receivables	1,583,598	3,731,996	316,873	8,026	152,587	559,921	6,353,001
Other financial assets	1,487,986	3,384,119	-	-	-	-	4,872,105
Total assets	**32,439,951**	**103,295,050**	**9,837,025**	**1,270,773**	**3,944,301**	**559,921**	**151,347,021**
Liabilities							
Insurance and reinsurance payables	(327,179)	(659,208)	(9,871)	-	-	(12,850)	(1,009,108)
Other financial liabilities	(1,274,790)	(14,159)	-	-	-	-	(1,288,949)
Total liabilities	**(1,601,969)**	**(673,367)**	**(9,871)**	**-**	**-**	**(12,850)**	**(2,298,057)**
Net position as at 31 December 2015	**30,837,982**	**102,621,683**	**9,827,154**	**1,270,773**	**3,944,301**	**547,071**	**149,048,964**

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

'000 KZT	KZT	USD	EUR	GBP	RUB	Other	Total
Assets							
Cash and cash equivalents	854,716	109,022	119	56,509	2	-	1,020,368
Placements with banks	16,244,477	5,348,161	8,975	-	202,292	-	21,803,905
Available-for-sale financial assets	21,523	-	-	-	-	-	21,523
Held-to-maturity investments	36,412,789	21,638,914	5,616,961	716,668	4,264,608	-	68,649,940
Insurance and reinsurance receivables	1,429,143	1,885,260	194,629	5,366	27,794	332,406	3,874,598
Other financial assets	313,460	781	1,668	-	-	-	315,909
Total assets	**55,276,108**	**28,982,138**	**5,822,352**	**778,543**	**4,494,696**	**332,406**	**95,686,243**
Liabilities							
Insurance and reinsurance payables	(179,508)	(384,980)	(14,718)	-	-	(20,241)	(599,447)
Other financial liabilities	(1,068,657)	(3,561)	-	-	-	-	(1,072,218)
Total liabilities	**(1,248,165)**	**(388,541)**	**(14,718)**	**-**	**-**	**(20,241)**	**(1,671,665)**
Net position as at 31 December 2014	**54,027,943**	**28,593,597**	**5,807,634**	**778,543**	**4,494,696**	**312,165**	**94,014,578**

23 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2015 and 31 December 2014 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company 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.

'000 KZT	2015		2014	
	Net income	Equity	Net income	Equity
20% appreciation of USD	16,419,469	16,419,469	4,574,976	4,574,976
20% appreciation of EUR	1,572,345	1,572,345	929,221	929,221
20% appreciation of GBP	203,324	203,324	124,567	124,567
20% appreciation of RUB	631,088	631,088	719,151	719,151

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

(iii) Other price risk

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

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2015 and 31 December 2014 and a simplified scenario of a 5% change in all equity securities prices is as follows:

	2015		2014	
	Profit or loss	Equity	Profit or loss	Equity
5% increase in securities prices	-	956	-	1,076
5% decrease in securities prices	-	(956)	-	(1,076)

(c) Credit risk

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

The Company continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the 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.

23 Risk management, continued

(c) Credit risk, continued

The maximum exposure to on balance sheet credit risk at the reporting date is as follows:

	2015 '000 KZT	2014 '000 KZT
ASSETS		
Cash and cash equivalents	98,095	1,019,611
Placements with banks	10,271,546	21,803,905
Held-to-maturity investments	129,732,535	68,649,940
Insurance and reinsurance receivables	6,353,001	3,874,598
Reinsurers' share in insurance contract provisions	19,536,851	19,063,864
Other financial assets	4,872,105	315,909
Total maximum exposure	**170,864,133**	**114,727,827**

As at 31 December 2015 the Company has 1 debtor (31 December 2014: no), credit risk exposure to whom exceeds 10 percent maximum credit risk exposure. The credit risk exposure for this debtor as at 31 December 2015 is KZT 33,416,668 thousand (2014: nil).

(d) Liquidity risk

Liquidity risk is the risk that the Company 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 Company mitigates this risk by analysing liquidity gaps and maturity on an ongoing basis.

The following table shows financial liabilities by remaining contractual maturity dates as at 31 December 2015. Insurance liabilities are shown based on expected maturities. Insurance contract provisions are presented net of reinsurers' share.

'000 KZT	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
Financial liabilities					
Insurance contract provisions	2,903,395	6,315,938	31,722,103	33,601,168	74,542,604
Insurance and reinsurance payables	467,288	481,720	1,374	58,726	1,009,108
Other financial liabilities	378,918	171,620	452,008	286,403	1,288,949
Total financial liabilities as at 31 December 2015	**3,749,601**	**6,969,278**	**32,175,485**	**33,946,297**	**76,840,661**

The following table shows financial liabilities by remaining contractual maturity dates as at 31 December 2014. Insurance liabilities are shown based on expected maturities. Insurance contract provisions are presented net of reinsurers' share.

'000 KZT	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
Financial liabilities					
Insurance contract provisions	3,131,629	5,659,800	8,582,103	37,477,994	54,851,526
Insurance and reinsurance payables	445,282	11,386	142,779	-	599,447
Other financial liabilities	171,501	300,927	397,804	201,986	1,072,218
Total financial liabilities as at 31 December 2014	**3,748,412**	**5,972,113**	**9,122,686**	**37,679,980**	**56,523,191**

24 Contingencies

(a) Litigation

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

(b) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, 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.

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 these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

25 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

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

'000 KZT	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	98,713	-	-	98,713	98,713
Placements with banks	-	10,271,546	-	-	10,271,546	10,271,546
Available-for-sale financial assets	-	-	1,455	-	1,455	1,455
Held-to-maturity investments	129,732,535	-	-	-	129,732,535	126,526,917
Insurance and reinsurance receivables	-	6,353,001	-	-	6,353,001	6,353,001
Other financial assets	-	4,872,105	-	-	4,872,105	4,872,105
	129,732,535	**21,595,365**	**1,455**	**-**	**151,329,355**	**148,123,737**
Insurance and reinsurance payables	-	-	-	(1,009,108)	(1,009,108)	(1,009,108)
Other financial liabilities	-	-	-	(1,288,949)	(1,288,949)	(1,288,949)
	-	**-**	**-**	**(2,298,057)**	**(2,298,057)**	**(2,298,057)**

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

'000 KZT	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	1,020,368	-	-	1,020,368	1,020,368
Placements with banks	-	21,803,905	-	-	21,803,905	21,803,905
Available-for-sale financial assets	-	-	3,857	-	3,857	3,857
Held-to-maturity investments	68,649,940	-	-	-	68,649,940	67,475,081
Insurance and reinsurance receivables	-	3,874,598	-	-	3,874,598	3,874,598
Other financial assets	-	315,909	-	-	315,909	315,909
	68,649,940	**27,014,780**	**3,857**	**-**	**95,668,577**	**94,493,718**
Insurance and reinsurance payables	-	-	-	(599,447)	(599,447)	(599,447)
Other financial liabilities	-	-	-	(1,072,218)	(1,072,218)	(1,072,218)
	-	**-**	**-**	**(1,671,665)**	**(1,671,665)**	**(1,671,665)**

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 transfer of liabilities.

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

(a) Accounting classifications and fair values, continued

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 Company 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 premia 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 fair value of unquoted equity securities available-for-sale with a carrying value of KZT 17,666 thousand cannot be determined.

(b) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy, which 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 similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

'000 KZT	Level 1	Level 3	Total
Available-for-sale financial assets	-	1,455	1,455

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

'000 KZT	Level 1	Level 3	Total
Available-for-sale financial assets	2,134	1,723	3,857

25 Financial assets and liabilities: fair values and accounting classifications, 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 2015:

'000 KZT	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Assets					
Cash and cash equivalents	-	98,713	-	98,713	98,713
Placements with banks	-	10,271,546	-	10,271,546	10,271,546
Held-to-maturity investments	114,676,295	11,837,871	12,751	126,526,917	129,732,535
Insurance and reinsurance receivables	-	6,353,001	-	6,353,001	6,353,001
Other financial assets	-	4,872,105	-	4,872,105	4,872,105
Liabilities					
Insurance and reinsurance payables	-	(1,009,108)	-	(1,009,108)	(1,009,108)
Other financial liabilities	-	(1,288,949)	-	(1,288,949)	(1,288,949)

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:

'000 KZT	Level 1	Level 2	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	-	1,020,368	1,020,368	1,020,368
Placements with banks	-	21,803,905	21,803,905	21,803,905
Held-to-maturity investments	52,619,889	14,855,192	67,475,081	68,649,940
Insurance and reinsurance receivables	-	3,874,598	3,874,598	3,874,598
Other financial assets	-	315,909	315,909	315,909
Liabilities				
Insurance and reinsurance payables	-	(599,447)	(599,447)	(599,447)
Other financial liabilities	-	(1,072,218)	(1,072,218)	(1,072,218)

26 Related party transactions

(a) Control relationships

As at 31 December 2015 members of the Board of Directors and the Management Board of the Company and their close family members hold 5% (31 December 2014: 5%) of the Company's shares.

The Company's parent company is Eurasian Financial Company JSC (the "Parent company"). The Parent company is controlled by the group of individuals, Mr. Mashkevich A.A., Mr. Shodiyev P.K., Mr. Ibragimov A.R., each of whom owns 33.3%. Publicly available financial statements are produced by the Company's Parent company.

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

Total remuneration included in personnel expenses for the years ended 31 December 2015 and 31 December 2014 is as follows:

	2015 '000 KZT	2014 '000 KZT
Members of the Board of Directors and the Management Board	2,342,917	1,729,964

(c) Transactions with other related parties

Other related parties comprise the Parent company, the fellow subsidiaries, and other companies under control of Mr. Mashkevich A.A., Mr. Shodiyev P.K., and Mr. Ibragimov A.R.

The outstanding balances as of 31 December 2015 and related profit or loss amounts of transactions for the year then ended with other related parties are as follows.

	Parent company	Fellow subsidiaries	Other	Total
Assets				
Cash and cash equivalents	-	96,788	-	**96,788**
Placements with banks	-	2,888,868	-	**2,888,868**
Held-to-maturity investments	-	9,291,010	-	**9,291,010**
Insurance and reinsurance receivables	-	300,736	950	**301,686**
Liabilities				
Insurance contract provisions	(42,852)	(105,373)	(21,952,399)	**(22,100,624)**
Insurance and reinsurance payables	-	(3,006)	(1,526)	**(4,532)**
Other liabilities	-	(11,096)	-	**(11,096)**
Profit/(loss)				
Gross premiums written	75,199	125,565	7,222,367	**7,423,131**
Net finance income	-	649,889	-	**649,889**
Other income	8,869	43,427	-	**52,296**
Claims incurred	-	-	(3,918,315)	**(3,918,315)**
Change in insurance contract provisions	(42,702)	(89,488)	(1,775,003)	**(1,907,193)**
Commission expense	-	(13,572)	-	**(13,572)**
Other expense	-	(26,502)	-	**(26,502)**

26 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances as of 31 December 2014 and related profit or loss amounts of transactions for the year then ended with other related parties are as follows:

	Parent company	Fellow subsidiaries	Other	Total
Assets				
Cash and cash equivalents	-	608,472	-	**608,472**
Placements with banks	-	3,580,555	-	**3,580,555**
Held-to-maturity investments	-	1,564,349	-	**1,564,349**
Insurance and reinsurance receivables	-	294,341	7,242	**301,583**
Liabilities				
Insurance contract provisions	(150)	(15,885)	(20,177,396)	**(20,193,431)**
Insurance and reinsurance payables	(12,416)	(14,183)	(6,419)	**(33,018)**
Other liabilities	-	(10,880)	-	**(10,880)**
Profit/(loss)				
Gross premiums written	12,695	21,783	5,786,177	**5,820,655**
Net finance income	-	222,227	-	**222,227**
Other income	13,661	40,377	-	**54,038**
Claims incurred	-	-	(1,853,794)	**(1,853,794)**
Change in insurance contract provisions	(28)	(15,385)	(18,435,464)	**(18,450,877)**
Commission expense	-	(23,894)	-	**(23,894)**
Other expense	-	(18,545)	-	**(18,545)**