

**JOINT STOCK COMPANY
INSURANCE COMPANY
“AMANAT”**

Financial Statements and
Independent Auditors' Report
For the Year Ended 31 December 2016

Joint Stock Company "Insurance Company "Amanat"

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Joint Stock Company "Insurance Company "Amanat"

Statement of Management's Responsibilities For the Preparation and Approval of The Financial Statements For the year Ended 31 December 2016

Management is responsible for the preparation of the financial statements that present fairly the financial position of Joint Stock Company "Insurance Company "Amanat" ("the Company") as at 31 December 2016 and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements of the Company for the year ended 31 December 2016 were approved by Management on 26 April 2017.

On behalf of the Management Board:

Beginbetov Y.N.
Chairman of the Management Board

26 April 2017
Almaty, Kazakhstan



Agibayeva D.K.
Chief Accountant

26 April 2017
Almaty, Kazakhstan

INDEPENDENT AUDITORS REPORT

To the Shareholder and the Board of Directors of Joint Stock Company "Insurance Company "Amanat"

Opinion

We have audited the financial statements of Joint Stock Company Subsidiary "Insurance Company "Amanat" ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter**How the matter was addressed in the audit**

Estimation of Incurred but not reported reserves

The estimation of Incurred but not reported reserves ("IBNR"), involves a significant degree of judgement given the inherent uncertainty in estimating the expected payments for claims.

The reserves are based on the best-estimate of expected payments for claims incurred at the reporting date but not settled, regardless of whether they were reported or not. A range of statistical methods, may be used to determine these reserves.

Lines of business where there is a greater length of time between the initial accident event and settlement also tend to display greater variability between initial estimates and actual settlement.

The valuation of reserves relies on the quality of the underlying data. It involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the estimate (as disclosed in Note 12). Based on the above this matter was determined as a key audit matter.

We performed a risk-based assessment to determine those lines of business where claims estimates of higher risk.

- We involved our actuarial specialists to evaluate and assess the Company's methodology, models and assumptions used for the valuation of reserves;
- We have used our industry knowledge to benchmark the Company's reserving methodologies and estimates of claims reserves.
- We have assessed the key assumptions and reserving methodologies driving the value of IBNR reserve;
- We challenged these assumptions by comparing them with our expectations based on the Entity's historical experience and current trends. For some lines of business we also performed our own independent actuarial projections and compared the results with the Company; and
- We reconciled inputs from the claims database with the data used in the actuarial reserving calculations.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Mark Smith
Engagement Partner
Chartered Accountant
Institute of Chartered
Accountants of Scotland
License #M21857
Glasgow, Scotland

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

26 April 2017
Almaty, Kazakhstan

Nurlan Bekenov
Qualified Auditor
of the Republic of Kazakhstan
Qualification certificate No. 0082
Dated 13 June 1994
General Director
Deloitte, LLP

Joint Stock Company "Insurance Company "Amanat"

Statement of Financial Position

As at 31 December 2016

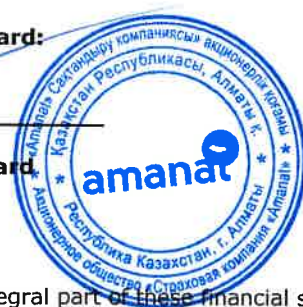
(in Kazakhstani Tenge and in thousands)

	Notes	31 December 2016	31 December 2015
ASSETS:			
Cash and cash equivalents	4	349,969	828,629
Securities under reverse repurchase agreements		287,360	-
Term deposits in banks	5	1,362,658	1,476,421
Financial assets at fair value through profit or loss	6	2,507,023	1,849,970
Investments available-for-sale	7	17,666	27,078
Investments held-to-maturity	8	247,121	247,458
Insurance and reinsurance premium receivables	9	592,967	1,027,539
Other insurance and reinsurance receivables	10	162,448	52,595
Deferred acquisition costs		459,289	419,864
Unearned premiums reserve, reinsurers' share	11	1,602,996	1,707,342
Reserves for claims and claims' adjustment expenses, reinsurers' share	12	404,976	325,515
Property, equipment and intangible assets	13	813,708	817,726
Deferred income tax asset	14	2,900	-
Current income tax assets		34,479	12,243
Other assets	15, 28	53,075	314,251
TOTAL ASSETS		8,898,635	9,106,631
LIABILITIES AND EQUITY			
LIABILITIES:			
Insurance and reinsurance payable	16	321,414	857,681
Unearned premiums reserve	11, 28	3,753,843	3,483,933
Reserves for claims and claims' adjustment expenses	12	1,399,727	1,295,894
Deferred income tax liability	14	-	7,418
Other liabilities	17, 28	142,159	151,560
Total liabilities		5,617,143	5,796,486
EQUITY:			
Share capital	18, 26	1,330,000	1,240,000
Additional paid-in-capital		349,306	349,306
Property and equipment revaluation reserve		239,801	227,011
Retained earnings		1,362,385	1,493,828
Total equity		3,281,492	3,310,145
TOTAL LIABILITIES AND EQUITY		8,898,635	9,106,631

On behalf of the Management Board:


Begimbetov Y.N.
 Chairman of the Management Board

26 April 2017
 Almaty, Kazakhstan




Agibayeva D.K.
 Chief Accountant

26 April 2017
 Almaty, Kazakhstan

The notes on pages 8-51 form an integral part of these financial statements.

Joint Stock Company "Insurance Company "Amanat"

Statement of Profit or Loss and Other Comprehensive Income For the year Ended 31 December 2016

(in Kazakhstani Tenge and in thousands, unless otherwise indicated)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Premiums written, gross	19, 28	9,606,833	10,722,205
Ceded reinsurance premiums	19	(4,824,513)	(6,178,288)
PREMIUMS WRITTEN, NET OF CEDED REINSURANCE		4,782,320	4,543,917
Change in unearned premiums reserve, net	11, 19	(374,256)	(192,395)
PREMIUMS EARNED, NET OF REINSURANCE		4,408,064	4,351,522
Claims paid, gross	20, 28	(1,737,782)	(1,595,186)
Claims paid, reinsurers' share	20	87,470	189,983
Change in reserves for claims and claims' adjustment expenses, gross	20	(103,833)	(867,943)
Change in reserves for claims and claims' adjustment expenses, reinsurers' share	20	79,461	93,906
CLAIMS INCURRED, NET OF REINSURANCE		(1,674,684)	(2,179,240)
Commission income	21	60,008	33,201
Commission expense	21	(955,430)	(739,668)
NET COMMISSION EXPENSE		(895,422)	(706,467)
Investment income	22	500,771	54,690
Provision for impairment losses on securities		(9,412)	-
Other operating income		71,920	13,132
OTHER INCOME		563,279	67,822
Salaries and benefits	28	(1,210,799)	(1,458,932)
Administrative and operating expenses	23, 28	(734,849)	(787,285)
Provision for impairment losses on other operations	24	(46,917)	(22,776)
Depreciation and amortization	13	(83,304)	(49,117)
Net (loss)/gain from operations with foreign currencies	25	(169,842)	1,522,918
OPERATING EXPENSES		(2,245,711)	(795,192)
PROFIT BEFORE INCOME TAX		155,526	738,445
Income tax expense	14	(1,399)	(33,558)
NET PROFIT		154,127	704,887
OTHER COMPREHENSIVE INCOME: <i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property and equipment, net of income tax		17,220	222,582
OTHER COMPREHENSIVE INCOME		17,220	222,582
TOTAL COMPREHENSIVE INCOME		171,347	927,469

On behalf of the Management Board:

Begimbetov Y.N.
Chairman of the Management Board

26 April 2017
Almaty, Kazakhstan



Agibayeva D.K.
Chief Accountant

26 April 2017
Almaty, Kazakhstan

The notes on pages 10-51 form an integral part of these financial statements.

Joint Stock Company "Insurance Company "Amanat"

Statement of Changes in Equity
For the year Ended 31 December 2016
(in Kazakhstani Tenge and in thousands)

	Share capital	Additional paid-in capital	Property and equipment revaluation reserve	Retained earnings	Total equity
As at 31 December 2014	680,000	349,306	4,429	840,365	1,874,100
Total comprehensive income	-	-	222,582	704,887	927,469
Fair value adjustment of accounts receivable from related parties	-	-	-	(51,424)	(51,424)
Issuance of ordinary shares	560,000	-	-	-	560,000
As at 31 December 2015	1,240,000	349,306	227,011	1,493,828	3,310,145
Total comprehensive income	-	-	17,220	154,127	171,347
Release of property and equipment revaluation reserve on disposal of previously revalued assets, net of income taxes	-	-	(4,430)	4,430	-
Issuance of ordinary shares	90,000	-	-	-	90,000
Dividends paid	-	-	-	(290,000)	(290,000)
As at 31 December 2016	1,330,000	349,306	239,801	1,362,385	3,281,492

On behalf of the Management Board:

Begimbetov Y.N.
Chairman of the Management Board

26 April 2017
Almaty, Kazakhstan



Agibayeva D.K.
Chief Accountant

26 April 2017
Almaty, Kazakhstan

The notes on pages 10-51 form an integral part of these financial statements.

Joint Stock Company "Insurance Company "Amanat"

Statement of Cash Flows For the year Ended 31 December 2016 (in Kazakhstani Tenge and in thousands)

Notes	Year ended 31 December 2016	Year ended 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax expense	155,526	738,445
Adjustments for:		
Change in unearned premiums reserve, net	19 374,256	192,395
Change in reserves for claims and claims' adjustment expenses, net of reinsurers' share	20 24,372	774,037
Depreciation and amortization	13 83,304	49,117
Provision for impairment losses on securities	9,412	-
Provision for impairment losses on other transactions	24 46,917	22,776
Unrealized (gain)/loss on revaluation of financial assets at fair value through profit or loss	22 (157,629)	121,421
Change in deferred acquisition costs	(39,425)	(147,094)
Unrealized loss/(gain) on foreign exchange operations	25 89,015	(1,506,169)
Net change in accrued interest income	(30,059)	(42,564)
Premium amortization on investments held-to-maturity	808	6,177
Loss on disposal of property and equipment	7,657	3,117
Cash inflow from operating activities before changes in operating assets and liabilities	564,154	211,658
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Purchase and redemption of financial assets at fair value through profit or loss	(497,629)	(292,877)
Insurance and reinsurance premium receivables	387,655	(749,866)
Other insurance and reinsurance receivables	(109,853)	(41,794)
Other assets	256,322	(295,109)
Increase/(decrease) in operating liabilities:		
Insurance and reinsurance payable	(536,267)	741,226
Other liabilities	(9,403)	(102,834)
Cash inflow/(outflow) from operating activities before taxes paid	44,763	(529,596)
Income taxes paid	(33,953)	(9,108)
Net cash inflow/(outflow) from operating activities	21,026	(538,704)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash placed as term deposits in banks	(4,673,411)	(1,434,842)
Cash withdrawn from term deposits in banks	4,726,954	2,030,179
Proceeds from redemption of held to maturity investments	76,003	-
Purchase of held to maturity investments	(79,745)	-
Purchase of property, equipment and intangible assets	13 (75,795)	(130,979)
Proceeds on disposal of property and equipment	6,072	1,908
Net cash (outflow)/inflow from investing activities	(19,922)	466,266
CASH FLOWS FROM FINANCING ACTIVITIES:		
Ordinary shares issued	90,000	560,000
Dividends paid	(290,000)	-
Net cash (outflow)/inflow from financing activities	(200,000)	560,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(198,896)	487,562
Effect of changes in foreign exchange rate on cash and cash equivalents	7,596	51,097
CASH AND CASH EQUIVALENTS, beginning of the year	4 828,629	289,970
CASH AND CASH EQUIVALENTS, end of the year	4 637,329	828,629

Interest received by the Company during the years ended 31 December 2016 and 2015 amounted to KZT 295,090 thousand and KZT 145,246 thousand, respectively.

On behalf of the Management Board:

Begimbetov Y.N.
Chairman of the Management Board



Agibayeva D.K.
Chief Accountant

26 April 2017
Almaty, Kazakhstan

26 April 2017
Almaty, Kazakhstan

The notes on pages 10-51 form an integral part of these financial statements.

Joint Stock Company "Insurance Company "Amanat"

Notes to the Financial Statements

For the year Ended 31 December 2016

(in Kazakhstani Tenge and in thousands, unless otherwise indicated)

1. Organisation

Joint Stock Company "Insurance Company "Amanat" ("the Company") was incorporated in the Republic of Kazakhstan on 24 July 1997 under the laws of the Republic of Kazakhstan.

The Company possesses insurance license # 2.1.52 dated 9 November 2015 for voluntary and compulsory general insurance and reinsurance and is regulated by the National Bank of Republic of Kazakhstan ("the NBRK").

The Company offers various general insurance products in property and casualty, civil liability, cargo, medical insurance, personal insurance and reinsurance.

The Company's legal address is 63, Tole bi str., Almaty, Republic of Kazakhstan.

As at 31 December 2016 and 2015, the number of employees of the Company was 326 and 397, respectively.

As at 31 December 2016 and 2015, the Company had 15 and 16 branches in the Republic of Kazakhstan, respectively.

As at 31 December 2016 and 2015, Idrisov D.A. was the sole shareholder of the Company.

2. Significant accounting policies

Statement of compliance

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

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in thousands of Kazakhstani tenge ("KZT thousand"), unless otherwise indicated. These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

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

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

Joint Stock Company "Insurance Company "Amanat"

Notes to the Financial Statements

For the year Ended 31 December 2016 (Continued)

(in Kazakhstani Tenge and in thousands, unless otherwise indicated)

Functional currency

Items included in the financial statements of the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The functional currency of the financial statements is the Kazakhstani Tenge ("KZT" or "Tenge"). All values are rounded to the nearest thousand Tenge, except when otherwise indicated.

Offsetting

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

The principal accounting policies are set out below.

Critical accounting judgments and key sources of estimation uncertainty

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

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

Financial instruments

The Company recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

Financial assets at fair value through profit or loss

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

Joint Stock Company "Insurance Company "Amanat"

Notes to the Financial Statements

For the year Ended 31 December 2016 (Continued)

(in Kazakhstani Tenge and in thousands, unless otherwise indicated)

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'investment income' line item, respectively, in the statement of comprehensive income. Fair value is determined in the manner described (see Note 30).

Investments available-for-sale

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

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

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

Investments held-to-maturity

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

Joint Stock Company “Insurance Company “Amanat”

Notes to the Financial Statements

For the year Ended 31 December 2016 (Continued)

(in Kazakhstani Tenge and in thousands, unless otherwise indicated)

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and current accounts in local, foreign currency in the second tier banks of the Republic of Kazakhstan and deposits with original maturity less than 3 months.

Securities repurchase and reverse repurchase agreements and securities lending transactions

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

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

Assets purchased under reverse repos are recorded in the financial statements, as reverse repurchase agreement and collateralized by securities and other assets.

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

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

Term deposits in banks

In the normal course of business, the Company maintains deposits for various periods of time with banks. Term deposits in banks are measured at amortized cost using the effective interest method.

Reinsurance

The Company cedes insurance risk in the normal course of business. Recoverable amounts are estimated in a manner consistent with the unearned premiums reserve and reserves for claims and claims’ adjustment expenses in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of comprehensive income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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The Company also assumes reinsurance risk in the normal course of business for general insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Insurance receivables

Insurance receivables are recognized when the related income is earned. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss and other comprehensive income.

Insurance receivables are derecognized when the derecognition criteria for financial assets has been met.

Impairment of financial assets

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

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

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

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When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

Write off of accounts receivable

Accounts receivable are written off against the allowance for impairment losses when deemed uncollectible. Accounts receivable are written off after management has exercised all possibilities available to collect amounts due to the Company and after the Company has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of profit or loss and other comprehensive income in the period of recovery.

Prepayments

Prepayments include advance payments, which are charged to expense in the year, when services are provided.

Derecognition of financial assets

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

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

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

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Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation, except for building which is stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of building is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of building is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation is charged on the carrying value of property, equipment and intangible assets is designed to write off assets over their useful economic lives. It is calculated on a straight-line basis at the following annual prescribed rates:

	Rates
Buildings	4% - 10%
Vehicles	25%
Machinery and equipment	30%
Other	15%
Intangible assets	15%

Depreciation on revalued building is recognised in profit or loss. Depreciation of revaluation reserve is transferred annually from the revaluation reserve to retained earnings. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

The carrying amounts of property and equipment and intangible assets are reviewed at each reporting date by the Company to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

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

Insurance and reinsurance payables

Payables on direct insurance business comprise insurance benefits due but not yet paid out, premium refunds not paid out and commissions due to agents.

The liabilities are shown at the amounts actually due on repayment.

Payables on reinsurance business comprise net reinsurance premiums due to reinsurers and brokers in connection with the reinsurance business ceded and obligations on claims to be paid on assumed reinsurance business.

Liability adequacy test

The Company applies a liability adequacy test at each reporting date to ensure that the insurance liabilities are adequate considering the estimated future cash flows. This test is performed by comparing the carrying value of the liability and the discounted projections of future cash flows (including premiums, claims, expenses, investment return and other items), using best estimate and assumptions.

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If a deficiency is found in the liability (i.e. the carrying value amount of its insurance liabilities is less than the future expected cash flows) that deficiency is fully recognized in the statement of comprehensive income.

Reserves for claims and claims' adjustment expenses

Reserves for claims and claims adjustment expenses is a summary of estimates of ultimate losses, and includes both claims reported but not settled ("RBNS") and claims incurred but not reported ("IBNR").

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Company during its investigation of insured events. IBNR is estimated by the Company based on its previous statistics of claims/indemnification of claims using actuarial methods of calculation, which include loss triangulation for insurance classes for which there is statistical data. For lines of insurance that do not have sufficient statistical data, IBNR is calculated according to NBRK requirements as not less than 5% of the written premiums.

The reinsurers' share in the reserves for claims and claims' adjustment expenses is calculated in accordance with the reinsurers' share under the reinsurance contracts.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

Share capital

Contributions to share capital are recognized at cost.

The reserves recorded in other comprehensive income on the Company's statement of financial position include:

- Property and equipment revaluation reserve which comprises changes in fair value of building;

Taxation

Income tax expense represents the sum of the current income tax expense and deferred income tax expense.

Current tax

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

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Deferred tax

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes

The Republic of Kazakhstan also has various other taxes, which are assessed on the Company's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

Underwriting income and expense

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve, claims paid, reserves for claims and claims' adjustment expenses, and acquisition costs.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included as a liability in the accompanying statement of financial position.

Claims paid and the change in reserves for claims and claims' adjustment expenses are charged to the statement of comprehensive income as incurred through the reassessment of the reserves for claims and claims' adjustments expenses.

Commissions earned on ceded reinsurance contracts are recorded in the statement of profit or loss and other comprehensive income at the date the reinsurance contract is signed and deemed enforceable.

Acquisition costs, comprising commissions paid to insurance agents and brokers, which vary and are directly related to the production of new business, are deferred and recorded in the accompanying statement of financial position and are amortized over the period in which the related written premiums are earned.

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Recognition of interest income and other income

Interest income includes income earned on investment securities. Interest income is recognized on an accrual basis calculated using the effective interest method. Fees, commission and other income and expenses are generally recognized on an accrual basis per the applicable contract.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into KZT at the appropriate spot rates of exchange prevailing at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain from operations with foreign currencies.

Rates of exchange

The exchange rates at the year end, used by the Company in the preparation of the financial statements are as follows:

	31 December 2016	31 December 2015
KZT/1 US Dollar	333.29	340.01
KZT/1 Euro	352.42	371.46

3. Adoption of new and revised standards

Amendments to IFRSs affecting amounts reported in the financial statements

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

Standards affecting the financial statements

- Amendments to IAS 1 Disclosure Initiative;
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation;
- Annual Improvements to IFRSs 2012-2014 Cycle.

Amendments to IAS 1 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Company, and should be separated into the share of items that, in accordance with other IFRSs:

- a. will not be reclassified subsequently to profit or loss; and
- b. will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

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The application of these amendments has not resulted in any impact on the financial performance or financial position of the Company.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The Company has applied these amendments for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a. when the intangible asset is expressed as a measure of revenue; or
- b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

As the Company already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Company's financial statements.

Annual Improvements to IFRSs – 2012-2014 Cycle

The Company has applied these amendments for the first time in the current year. The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no effect on the Company's financial statements.

New and revised IFRSs in issue but not yet effective

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

- IFRS 9 Financial Instruments²;
- IFRS 15 Revenue from Contracts with Customer²;
- IFRS 16 Leases³;
- Amendments to IAS 1 – Disclosure initiative¹;
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses¹;
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts²;
- Annual Improvements to IFRSs 2014-2016 Cycle.

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

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IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- **Classification and measurement of financial liabilities.** With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- **Impairment.** In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- **Hedge accounting.** The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2016 on the basis of the facts and circumstances that exist at that date, the management of the Company has performed a preliminary assessment of the impact of IFRS 9 to the Company's financial statements as follows:

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Classification and measurement

- Bills of exchange and debentures classified as held-to-maturity investments and loans carried at amortised cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;
- Listed redeemable notes classified as available-for-sale investments carried at fair value: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed redeemable notes will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed redeemable notes are derecognised or reclassified;
- Unlisted shares classified as available-for-sale investments carried at fair value: these shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Company's profit or loss and other comprehensive income but will not affect total comprehensive income;
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9 (see classification and measurement section above), and other financial assets will be subject to the impairment provisions of IFRS 9.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and amounts due from customer under construction contracts as required or permitted by IFRS 15. As regards the listed redeemable notes, bills of exchange and debentures as disclosed in Note 7, the management of the Company considers that they have low credit risk given their strong external credit rating and hence expect to recognise 12-month expected credit losses for these items. The management is currently assessing the extent of this impact.

In general, the management anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

It should be noted that the above assessments were made based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2016 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be 1 January 2018 as the Company does not intend to early apply the standard, the assessment of the potential impact is subject to change.

IFRS 15 Revenue from Contracts with Customers

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

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The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contracts;
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management is still in the process of assessing the full impact of the application of IFRS 15 on the Company's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the management completes the detailed review. As a result, the above preliminary assessment is subject to change. The management does not intend to early apply the standard and intend to use the full retrospective method upon adoption.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

Amendments to IAS 1 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The management of the Company does not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the following:

- Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
- When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The management of the Company does not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments provide an option for insurers meeting a criterion for engaging in predominantly insurance activities with the option to continue current IFRS accounting and to defer the application of IFRS 9 until the earlier of the application of the new insurance Standard or periods beginning on or after 1 January 2021 (the "sunset clause"). The assessment of predominance has to be made at the reporting entity level and at the annual reporting date immediately preceding 1 April 2016. Thereafter it should not be reassessed, unless there is a significant change in the entity's activities that would trigger a mandatory reassessment. An entity shall apply those amendments, which permit insurers that meet specified criteria to apply a temporary exemption from IFRS 9, for annual periods beginning on or after 1 January 2018.

Separately, the amendments provide all entities with contracts within the scope of IFRS 4 with an option to apply IFRS 9 in full but to make adjustments to profit or loss to remove the impact of IFRS 9, compared with IAS 39, for designated qualifying financial assets. This is referred to as the 'overlay approach' and is available on an asset-by-asset basis with specific requirements around designations and de-designations. An entity shall apply those amendments, which permit insurers to apply the overlay approach to designated financial assets, when it first applies IFRS 9.

The management does not anticipate that the application of these amendments will have a material impact on the Company's financial statements as the Company does not have any insurance contracts to which IFRS 4 applies.

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For the year Ended 31 December 2016 (Continued)

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Annual Improvements to IFRSs 2014-2016 Cycle

This annual improvements package amended the following standard:

The Amendments to IFRS 1 delete the short-term exemptions that related to disclosures about financial instruments, employee benefits and investment entities as the reporting period to which the exemptions applied have already passed and as such, these exemptions are no longer applicable. The amendments are effective for annual periods beginning on or after 1 January 2018.

The management does not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

4. Cash and cash equivalents

	31 December 2016	31 December 2015
Current bank accounts in tenge	227,849	326,311
Current bank accounts in foreign currencies	105,159	491,671
Cash on hand	16,961	10,647
	349,969	828,629

Cash and cash equivalents for the purposes of the statement of cash flows are comprised of the following:

	31 December 2016	31 December 2015
Reverse repurchase agreements with initial maturity of less than three months	287,360	-
Current bank accounts in tenge	227,849	326,311
Current bank accounts in foreign currencies	105,159	491,671
Cash on hand	16,961	10,647
	637,329	828,629

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 December 2016 and 2015 comprise:

	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Notes of National Bank of Republic of Kazakhstan	287,360	297,640	-	-
	287,360	297,640	-	-

5. Term deposits in banks

	Interest rates, %	Maturity	31 December 2016
JSC Home Credit and Finance Bank	20.00	19/04/2017	540,755
JSC Tengri Bank	5.00-15.00	26/01/2017-27/05/2017	457,416
JSC Tsesna Bank	5.00-14.60	02/02/2017-10/06/2017	364,487
			1,362,658

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For the year Ended 31 December 2016 (Continued)

(in Kazakhstani Tenge and in thousands, unless otherwise indicated)

	Interest rates, %	Maturity	31 December 2015
JSC Bank RBK	4.70	30/01/2016	567,454
JSC SB Bank Home Credit	6.00-15.00	15/04/2016 - 10/07/2016	562,539
JSC Bank of Astana	4.00	30/12/2016	293,997
JSB AsiaCredit Bank	4.00	23/06/2016	52,431
			1,476,421

As at 31 December 2016 and 2015, term deposits in banks included accrued interest amounting to KZT 71,213 thousand and KZT 41,579 thousand, respectively.

6. Financial assets at fair value through profit or loss

The following financial assets were designated as at fair value through profit or loss upon their initial recognition as they are managed and their performance is evaluated on a fair value basis in accordance with a documented investment management strategy and information about these assets is provided internally on that basis to the Company's Management.

	31 December 2016	31 December 2015
Kazakhstani corporate bonds	1,760,952	1,427,472
Notes of National Bank of Republic of Kazakhstan	311,462	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan*	248,285	277,506
Foreign corporate bonds	140,102	115,047
Kazakhstani corporate shares	46,222	29,945
	2,507,023	1,849,970

* - As at 31 December 2016 and 2015, nominal interest rates on bonds of the Ministry of Finance of the Republic of Kazakhstan amounted to 5.15%-6.50% and 5.15%-8.75%, respectively.

	Interest to nominal, %	31 December 2016	31 December 2015
Kazakhstani corporate bonds:			
LLP Zhaikmunai	7.13	574,879	473,404
JSC Development Bank of Kazakhstan	6.00	428,155	384,045
JSC Sevkazenergo	13.00	202,940	-
JSC Pavlodarenergo	13.00	202,239	-
JSC National Company KazMunaiGaz	7.00	185,142	182,176
JSC SB Sberbank of Russia	9.00	167,597	168,338
JSC National Company Kazakhstan Engineering	4.55	-	116,224
JSC ATF Bank	9.00	-	103,285
		1,760,952	1,427,472

	Interest to nominal, %	31 December 2016	31 December 2015
Foreign corporate bonds:			
European Investment Bank bonds	6.75	140,102	115,047
		140,102	115,047

	Share, %	31 December 2016	31 December 2015
Kazakhstani corporate shares:			
JSC Kazakhtelecom	0.03	45,067	28,942
JSC Bank CenterCredit*	-	1,155	1,003
		46,222	29,945

* - Ownership share is less than 0.01%.

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For the year Ended 31 December 2016 (Continued)

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As at 31 December 2016 and 2015, financial assets at fair value through profit or loss included accrued interest amounting to KZT 37,382 thousand and KZT 33,686 thousand, respectively.

7. Investments available-for-sale

	Share, %	31 December 2016	31 December 2015
Kazakhstani corporate shares:			
JSC Insurance Payments Guarantee Fund	3.30	17,666	17,666
JSC Bank Center Credit*	0.01	-	5,266
JSC Mineral Resources of Central Asia	1.11	-	4,146
		17,666	27,078

* - Ownership share is less than 0.01%.

As at 31 December 2016 and 2015, investments available-for-sale include equities are not actively traded, as such these investments are carried at cost, less impairment, if any.

8. Investments held-to-maturity

As at 31 December 2016 and 2015, investments held-to-maturity included bonds of the Ministry of Finance of the Republic of Kazakhstan in the amount of KZT 247,121 thousand and KZT 247,458 thousand, respectively with interest rates from 5.80% to 8.75% and 6% and 8.75%, respectively.

As at 31 December 2016 and 2015, investments held-to-maturity included accrued interest amounting to KZT 9,519 thousand and KZT 12,790 thousand, respectively.

9. Insurance and reinsurance premium receivables

	31 December 2016	31 December 2015
Amounts due from policyholders	627,265	1,044,262
Assumed reinsurance premiums receivable	29,003	16,836
	656,268	1,061,098
Less allowance for impairment losses (Note 24)	(63,301)	(33,559)
	592,967	1,027,539

10. Other insurance and reinsurance receivables

	31 December 2016	31 December 2015
Claims to Insurers	97,946	31,187
Claims to party at Fault	11,938	5,591
Claims to Reinsurers	11,844	17,822
Other insurance accounts receivable	42,380	-
	164,108	54,600
Less allowance for impairment losses (Note 24)	(1,660)	(2,005)
	162,448	52,595

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For the year Ended 31 December 2016 (Continued)

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11. Unearned premiums reserve

	31 December 2016	31 December 2015	Change in unearned premiums reserve
Unearned premiums reserve (Note 19)	3,753,843	3,483,933	269,910
Unearned premiums reserve, reinsurers' share (Note 19)	(1,602,996)	(1,707,342)	104,346
Unearned premiums reserve, net of reinsurers' share	2,150,847	1,776,591	374,256

	31 December 2015	31 December 2014	Change in unearned premiums reserve
Unearned premiums reserve (Note 19)	3,483,933	2,574,673	909,260
Unearned premiums reserve, reinsurers' share (Note 19)	(1,707,342)	(990,477)	(716,865)
Unearned premiums reserve, net of reinsurers' share	1,776,591	1,584,196	192,395

12. Reserves for claims and claims' adjustment expenses

Reserves for claims and claims' adjustment expenses have been established on the basis of information currently available, including potential outstanding loss notifications and experience with similar claims. The reserve for claims incurred but not reported is actuarially determined by lines of business and is based on statistical claims data for the period typical for loss development of the classes and sub-classes of business, the Company's previous experience and availability of data. Insurance classes for which there is no sufficient statistics, the IBNR reserve is established in accordance with the requirements of the NBRK in the amount of not less than 5% of the amount of insurance premiums. While management considers that the gross reserve for claims and the related reinsurance recoveries are fairly stated on the basis of the information available to them, the ultimate liability may vary as a result of subsequent information and events and may result in adjustments to the amounts provided. Any adjustments to the amount of reserves will be reflected in the financial statements in the period in which the necessary adjustments become known and estimable.

The movements in reserves for claims and claims' adjustment expenses during 2016 and 2015 were as follows:

	2016	2015
As at beginning of the year	970,379	196,342
Net change in reserve (Note 20)	24,372	774,037
As at end of the year	994,751	970,379

As at 31 December 2016 and 2015, reserves for claims and claims' adjustment expenses comprised of reserves for losses reported but not settled (RBNS) and the reserves for losses incurred but not reported (IBNR):

	IBNR	RBNS	31 December 2016 Total
Reserves for claims and claims' adjustment expenses	563,919	835,808	1,399,727
Reinsurers' share in reserves	(235,213)	(169,763)	(404,976)
Reserves for claims and claims' adjustment expenses, net of reinsurance	328,706	666,045	994,751

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For the year Ended 31 December 2016 (Continued)

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	IBNR	RBNS	31 December 2015 Total
Reserves for claims and claims' adjustment expenses	630,279	665,615	1,295,894
Reinsurers' share in reserves	(292,377)	(33,138)	(325,515)
Reserves for claims and claims' adjustment expenses, net of reinsurance	337,902	632,477	970,379

13. Property, equipment and intangible assets

	Building	Vehicles	Machinery and equipment	Other fixed assets	Intangible assets	Total
At initial/revalued cost						
As at 31 December 2014	448,143	16,417	69,381	46,317	30,659	610,917
Additions	-	59,386	24,369	43,909	3,315	130,979
Revaluation	222,582	-	-	-	-	222,582
Disposals	(16,491)	(950)	(20,757)	(11,615)	-	(49,813)
As at 31 December 2015	654,234	74,853	72,993	78,611	33,974	914,665
Additions	400	34,888	18,160	18,231	4,116	75,795
Revaluation	17,220	-	-	-	-	17,220
Disposals	(26,323)	(16,588)	(10,664)	(5,513)	(3,524)	(62,612)
As at 31 December 2016	645,531	93,153	80,489	91,329	34,566	945,068
Accumulated depreciation						
As at 31 December 2014	-	(12,547)	(43,694)	(23,990)	(12,270)	(92,610)
Charge for the year	(16,547)	(3,751)	(15,918)	(8,691)	(4,210)	(49,117)
Disposals	16,491	-	19,459	8,838	-	44,788
As at 31 December 2015	(56)	(16,298)	(40,153)	(23,843)	(16,589)	(96,939)
Charge for the year	(25,791)	(16,650)	(18,299)	(16,454)	(6,110)	(83,304)
Disposals	25,844	4,836	10,400	4,280	3,523	48,883
As at 31 December 2016	(3)	(28,112)	(48,052)	(36,017)	(19,176)	(131,360)
Net book value						
As at 31 December 2016	645,528	65,041	32,437	55,312	15,390	813,708
As at 31 December 2015	654,178	58,555	32,840	54,768	17,385	817,726

As at 31 December 2016 and 2015, included in property and equipment were fully depreciated assets at cost of KZT 3,653 thousand and KZT 2,781 thousand, respectively.

The Company involved independent appraiser LLP Appraise Consulting Group to determine the fair value of building premises as at 31 December 2016 and 2015. The LLP Appraise Consulting Group is an independent appraiser not connected to the Company. LLP Appraise Consulting Group is a member of the Appraisers Chamber "Almaty Appraisers Association", and has the appropriate qualification and recent experience in the fair value measurement of building in the relevant locations.

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To assess the fair value the independent appraiser used a combined approach of two methods - cost and sales comparative methods. The difference between the fair value and the cost as at the date of the revaluation in the amount of KZT 349,306 thousand was recognized as additional paid-in-capital in the statement of changes in equity, as it was purchased from the Company's related party. The valuation technique is described in Note 30. The Company's building is stated at its revalued amounts, being the fair value at the time of revaluation, less any subsequently accumulated depreciation and accumulated impairment losses.

Had the Company's building been measured on a historical cost basis, its carrying amount would have been KZT 62,963 thousand as at 31 December 2016. The fair value of the building was determined based on the market comparable approach that reflects recent transaction prices for similar building and these measurements are categorized as Level 2.

14. Income taxes

The Company performs its tax calculation on the basis of tax regulations in accordance with the legislation of the Republic of Kazakhstan, which can differ from IFRS.

The Company's permanent tax differences arise mainly due to non-tax deductibility of certain expenses and a tax free regime for certain income. Income on state and other qualifying securities is tax exempt.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. As at 31 December 2016 and 2015, temporary differences relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable in the Republic of Kazakhstan on taxable profits (as defined) under tax law in that jurisdiction.

Temporary differences as at 31 December 2016 and 2015 comprise:

	31 December 2016	31 December 2015
Deductible temporary differences:		
Provision for unused vacation	46,123	41,771
Provision for doubtful debts	149,229	45,451
Expenses on audit	13,440	13,440
Tax losses carried forward	122,539	259,942
Total deductible temporary differences	331,331	363,604
Taxable temporary differences:		
Property, equipment and intangible assets	(194,290)	(140,753)
Net deductible temporary differences	137,041	222,851
Deferred tax assets at the statutory rate 20%	27,408	44,570
Deferred tax asset not recognised	(24,508)	(51,988)
Net deferred tax assets /(liabilities)	2,900	(7,418)

Movement of deferred tax assets/(liabilities) for the years ended 31 December 2016 and 2015 was as follows:

	2016	2015
On January 1	(7,418)	15,536
Change in deferred tax	10,318	(22,954)
On December 31	2,900	(7,418)

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For the year Ended 31 December 2016 (Continued)

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Below is a relation between tax expenses and accounting profit for the years ended 31 December 2016 and 2015, were as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Profit before income tax expense	155,526	738,445
Tax at statutory tax rate (20%)	31,105	147,689
Tax effect of non-deductible expenses /(non-taxable income):		
Tax-exempt (income)/loss on government and listing securities	(69,381)	2,098
Tax exempt dividend income	(210)	(753)
Other non-deductible expenses	87,940	152,325
Withholding tax	(20,575)	(10,604)
Change in deferred tax asset not recognised	(27,480)	(257,197)
Income tax expense	1,399	33,558
	31 December 2016	31 December 2015
Current tax expenses	11,717	10,604
Change in deferred income tax	(10,318)	22,954
Income tax expense	1,399	33,558

15. Other assets

	31 December 2016	31 December 2015
Other financial assets:		
Debtors on guarantees	8,515	10,946
Accounts receivable from related party	-	246,718
Other receivables	112	874
Total other financial assets	8,627	258,538
Other non-financial assets:		
Advances paid	42,133	58,747
Inventory	4,061	3,872
Tax advances, other than income tax	431	197
Other	8,667	2,784
	55,292	65,600
Less allowance for impairment loss (Note 24)	(10,844)	(9,887)
Total other non-financial assets	44,448	55,713
Total other assets	53,075	314,251

As at 31 December 2015, other financial assets include interest free accounts receivable from the shareholder in the amount of KZT 281,000 thousand. The Company valued it at amortised cost and recognized discount of KZT 51,424 thousand in equity.

16. Insurance and reinsurance payable

	31 December 2016	31 December 2015
Reinsurance payables	206,697	767,807
Payables to agents and brokers	104,728	77,824
Claims payable to insured	9,989	12,050
	321,414	857,681

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17. Other liabilities

	31 December 2016	31 December 2015
Other financial liabilities:		
Provision for unused vacation	46,123	44,771
Accounts payable for goods	23,207	19,889
Payable to employees	13,940	15,153
Payable to JSC Insurance Payments Guarantee Fund	8,199	6,660
Rent payable	512	360
Other	755	-
Total other financial liabilities	92,736	86,833
Other non-financial liabilities:		
Taxes payable, other than income tax	37,673	47,842
Advances received	11,040	15,565
Deferred income	285	519
Other	425	801
Total other non-financial liabilities	49,423	64,727
Total other liabilities	142,159	151,560

18. Share Capital

As at 31 December 2016 and 2015, the Company has 1,330,000 and 1,240,000 authorized and issued ordinary shares with a par value of which amounted to KZT 1,330,000 thousand and KZT 1,240,000 thousand, respectively.

Each common share is entitled to one vote and shares equally in dividends.

As at 31 December 2016 and 2015, the Company has 2,500,000 issued, but not paid common shares.

Capital management

NBRK requires insurance companies to maintain a solvency margin at the level of no less than one, which is calculated based on financial statements of the Company in accordance with NBRK instructions. As at 31 December 2016 and 2015, the Company complies with solvency margins adequacy ratio, which is detailed in the following table:

	31 December 2016	31 December 2015
Minimum solvency margin	1,593,616	1,225,128
Actual solvency margin	1,730,802	1,231,374
Solvency margin	1.09	1.01

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19. Premium earned, net of reinsurance

Premium earned, net of reinsurance, for the year ended 31 December 2016 comprise the following:

	Civil responsibility for indemnification	Civil liability of car owners	Property insurance	Financial losses insurance	Compulsory insurance of civil liability of the employer	Air, water, railway and insurance of the other vehicle	Medical insurance	Cargo	Other*	Year ended 31 December 2016 Total
Direct insurance premiums	3,464,125	1,287,351	2,033,349	352,445	-	1,338,647	187,332	405,443	375,697	9,444,389
Reinsurance premiums assumed	23,181	-	28,231	92,793	-	12,547	-	2,877	2,815	162,444
Reinsurance premiums written, gross	3,487,306	1,287,351	2,061,580	445,238	-	1,351,194	187,332	408,320	378,512	9,606,833
Ceded reinsurance premiums	(2,765,553)	-	(1,262,832)	(47,890)	-	(163,601)	(7,763)	(312,082)	(264,792)	(4,824,513)
Premiums written, net of ceded reinsurance	721,753	1,287,351	798,748	397,348	-	1,187,593	179,569	96,238	113,720	4,782,320
Change in unearned premiums reserve, gross	(550,666)	(55,462)	409,393	(67,994)	2,119	(17,845)	13,559	8,126	(11,140)	(269,910)
Change in unearned premiums reserve, reinsurers' share	487,116	-	(412,860)	2,086	(210)	(164,372)	107	(15,746)	(467)	(104,346)
Change in unearned premiums reserve, net	(63,550)	(55,462)	(3,467)	(65,908)	1,909	(182,217)	13,666	(7,620)	(11,607)	(374,256)
Premiums earned, net of reinsurance	658,203	1,231,889	795,281	331,440	1,909	1,005,376	193,235	88,618	102,113	4,408,064

* - Other includes the following lines of business: Accident insurance and Environmental insurance.

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Premium earned, net of reinsurance, for the year ended 31 December 2015 comprise the following:

	Civil responsibility for indemnifi- cation	Civil liability of car owners	Property	Financial losses insurance	Compulsory insurance of civil liability of the employer	Air, water, railway and the other vehicle insurance	Medical insurance	Cargo	Other*	Year ended 31 December 2015 Total
Direct insurance										
premiums	2,649,065	1,025,289	4,118,889	219,273	-	1,272,735	234,138	435,334	683,694	10,638,418
Reinsurance	12,461	-	21,473	13,165	29,030	7,096	-	536	22	83,787
Premiums assumed, gross	2,661,526	1,025,289	4,140,367	232,438	29,030	1,279,830	234,138	435,870	683,717	10,722,205
Ceded reinsurance premiums	(1,765,501)	-	(3,065,563)	(28,736)	(9,513)	(358,237)	(7,429)	(363,593)	(579,709)	(6,178,288)
Premiums written, net of ceded reinsurance	896,024	1,025,289	1,074,793	203,702	19,517	921,593	226,709	72,277	104,008	4,543,917
Change in unearned premiums reserve, gross	(14,378)	267,861	(871,348)	(9,019)	15,834	(384,966)	143,966	(42,276)	(14,934)	(909,260)
Change in unearned premiums reserve, reinsurers' share	6,785	-	646,045	(52,290)	(3,677)	74,460	4,335	37,628	3,579	716,865
Change in unearned premiums reserve, net	(7,593)	267,861	(225,302)	(61,309)	12,157	(310,506)	148,301	(4,649)	(11,355)	(192,395)
Premiums earned, net of reinsurance	888,432	1,293,150	849,496	142,392	31,674	611,087	375,010	67,628	92,653	4,351,522

* - Other includes the following lines of business: Accident insurance and Environmental insurance.

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20. Claims incurred, net of reinsurance

Claims incurred, net of reinsurance, for the year ended 31 December 2016 comprise the following:

	Civil responsibility for indemnification	Civil liability of car owners	Property insurance	Financial losses insurance	Compulsory insurance of civil liability of the employer	Air, water, railway and the other vehicle insurance	Medical insurance	Cargo	Other*	Year ended 31 December 2016 Total
Claims paid on insurance	(320,167)	(540,686)	(84,870)	-	(11,924)	(531,042)	(76,709)	(41,816)	(7,149)	(1,614,363)
Claims paid on assumed reinsurance	(478)	-	-	-	(68,964)	(53,977)	-	-	-	(123,419)
Claims paid, gross	(320,645)	(540,686)	(84,870)	-	(80,888)	(585,019)	(76,709)	(41,816)	(7,149)	(1,737,782)
Claims paid, reinsurers' share	635	-	11,147	-	39,800	4,560	-	29,166	2,162	87,470
Claims paid, net	(320,010)	(540,686)	(73,723)	-	(41,088)	(580,459)	(76,709)	(12,650)	(4,987)	(1,650,312)
Change in reserves for claims and claims' adjustment expenses, gross	(80,268)	(128,882)	160,566	(14,924)	(101,510)	(26,635)	9,631	7,326	70,863	(103,833)
Change in reserves for claims and claims' adjustment expenses, reinsurers' share	30,295	-	(102,843)	1,102	116,107	170	(12)	9,362	25,280	79,461
Net change in reserves for claims and claims' adjustment expenses	(49,973)	(128,882)	57,723	(13,822)	14,597	(26,465)	9,619	16,688	96,143	(24,372)
Claims incurred, net of reinsurance	(369,983)	(669,568)	(16,000)	(13,822)	(26,491)	(606,924)	(67,090)	4,038	91,156	(1,674,684)

* - Other includes the following lines of business: Accident insurance and Environmental insurance.

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For the year Ended 31 December 2016 (Continued)

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Claims incurred, net of reinsurance, for the year ended 31 December 2015 comprise the following:

	Civil responsibility for indemnification	Civil liability of car owners	Property insurance	Financial losses insurance	Compulsory insurance of civil liability of the employer	Air, water, railway and of the other vehicle insurance	Medical insurance	Cargo	Other*	Year ended 31 December 2015 Total
Claims paid on insurance	(83,491)	(647,922)	(244,172)	-	(34,368)	(199,683)	(306,566)	(23,670)	(22,309)	(1,562,181)
Claims paid on assumed reinsurance	(2,388)	-	-	-	(24,942)	(5,675)	-	-	-	(33,005)
Claims paid, gross	(85,879)	(647,922)	(244,172)	-	(59,310)	(205,358)	(306,566)	(23,670)	(22,309)	(1,595,186)
Claims paid, reinsurers' share	-	-	135,310	-	15,958	8,530	-	10,861	19,324	189,983
Claims paid, net	(85,879)	(647,922)	(108,862)	-	(43,352)	(196,828)	(306,566)	(12,809)	(2,985)	(1,405,203)
Change in reserves for claims and claims' adjustment expenses, gross	(175,506)	(210,299)	(229,841)	30,504	(22,537)	(141,001)	5,913	(22,442)	(102,734)	(867,943)
Change in reserves for claims and claims' adjustment expenses, reinsurers' share	7,438	-	127,346	(35,215)	(2,808)	(10,464)	-	8,630	(1,021)	93,906
Net change in reserves for claims and claims' adjustment expenses	(168,068)	(210,299)	(102,495)	(4,711)	(25,345)	(151,465)	5,913	(13,812)	(103,755)	(774,037)
Claims incurred, net of reinsurance	(253,947)	(858,221)	(211,357)	(4,711)	(68,697)	(348,293)	(300,653)	(26,621)	(106,740)	(2,179,240)

* - Other includes the following lines of business: Accident insurance and Environmental insurance.

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21. Net commission expense

Net commission expense for the year ended 31 December 2016 comprises the following:

	Civil responsibility for indemnifi- cation	Civil liability of car owners	Property insurance	Financial losses insurance	Compulsory insurance of civil liability of the employer	Airway, water, railway and the other vehicle insurance	Medical insurance	Cargo	Other*	Year ended 31 December 2016 Total
Commission income	10,247	-	4,491	-	-	8,494	-	35,755	1,021	60,008
Commission expense	(160,800)	(120,377)	(284,826)	(11,523)	-	(248,920)	(58,972)	(39,223)	(30,789)	(955,430)
	(150,553)	(120,377)	(280,335)	(11,523)	-	(240,426)	(58,972)	(3,468)	(29,768)	(895,422)

Net commission expense for the year ended 31 December 2015 comprises the following:

	Civil responsibility for indemnifi- cation	Civil liability of car owners	Property insurance	Financial losses insurance	Compulsory insurance of civil liability of the employer	Airway, water, railway and the other vehicle insurance	Medical insurance	Cargo	Other*	Year ended 31 December 2015 Total
Commission income	2,697	-	7,318	-	3,022	1,540	-	17,072	1,552	33,201
Commission expense	(96,851)	(132,834)	(228,060)	(18,670)	-	(146,176)	(71,582)	(26,994)	(18,501)	(739,668)
	(94,154)	(132,834)	(220,742)	(18,670)	3,022	(144,636)	(71,582)	(9,922)	(16,949)	(706,467)

* - Other includes the following lines of business: Accident insurance and Environmental insurance.

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22. Investment income

	Year ended 31 December 2016	Year ended 31 December 2015
Interest income	325,149	187,810
Unrealized gain/(loss) from revaluation of financial assets at fair value through profit or loss	157,629	(121,421)
Realized gain/(loss) on financial assets at fair value through profit or loss	16,944	(15,463)
Dividend income	1,049	3,764
	500,771	54,690
	Year ended 31 December 2016	Year ended 31 December 2015
Interest income comprised:		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired financial assets	182,807	95,051
Interest income on financial assets at fair value through profit or loss	142,342	92,759
Total interest income	325,149	187,810
Interest income on financial assets recorded at amortized cost comprises:		
Interest on term deposits in banks	138,062	66,208
Interest on securities under reverse repurchase agreements	32,767	-
Interest on investments held-to-maturity	11,827	11,698
Interest on current account	151	4
Interest on accounts receivable from related parties	-	17,141
	182,807	95,051

23. Administrative and operating expenses

	Year ended 31 December 2016	Year ended 31 December 2015
Rent expense	271,834	214,772
Transportation	52,687	52,563
Audit and consulting services	44,734	122,700
Business trip expenses	36,778	37,442
Payments to JSC Insurance Payments Guarantee Fund	33,591	32,233
Stationery	31,883	62,700
Utilities	30,224	21,114
Advertising expenses	28,631	105,799
Repair and maintenance of property and equipment	28,058	13,133
Communication expenses	20,211	19,468
Bank services and charges	19,386	17,667
Fines and penalties	16,317	2,405
Representative expenses	11,714	10,886
Postal services	11,673	12,868
Taxes, other than income tax	10,885	9,270
Insurance expenses	6,217	5,115
Security expenses	1,799	4,038
Staff training	1,180	2,971
Other	77,047	40,141
	734,849	787,285

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24. Provision for impairment loss on other operations

	Insurance and reinsurance premium receivables	Other insurance and reinsurance receivables	Other assets	Total
31 December 2014	19,366	1,109	5,953	26,428
Provision recognized	36,599	8,505	15,565	60,669
Recovery of provision	(20,624)	(7,609)	(9,660)	(37,893)
Write-off of assets	(1,782)	-	(1,971)	(3,753)
31 December 2015	33,559	2,005	9,887	45,451
Provision recognized	85,807	9,288	16,676	111,771
Recovery of provision	(41,457)	(9,633)	(13,764)	(64,854)
Write-off of assets	(14,608)	-	(1,955)	(16,563)
31 December 2016	63,301	1,660	10,844	75,805

25. Net (Loss)/Gain From Operations With Foreign Currencies

	Year ended 31 December 2016	Year ended 31 December 2015
Unrealised (loss)/gain Dealing, net	(96,611)	1,506,169
	(73,231)	16,749
	(169,842)	1,522,918

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

26. Book Value Of Share

The book value of one share per each class of shares as at 31 December 2016 and 2015 is as follows:

Class of shares	Outstanding shares (number outstanding)	As at 31 December 2016		Outstanding shares (number outstanding)	As at 31 December 2015	
		Amount for calculation of book value KZT thousands	Book value of one share, KZT thousands		Amount for calculation of book value KZT thousands	Book value of one share, KZT thousands
Ordinary shares	1,330,000	3,266,102	2.46	1,240,000	3,292,760	2.66
		3,266,102			3,292,760	

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

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

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27. Commitments and contingencies

Legal proceedings

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

Taxation

Kazakhstani commercial and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective in nature. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Company may be assessed additional taxes, penalties and interest.

The Management of the Company believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees of the Company receive pension benefits from pension funds in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2016 and 2015, the Company was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating leases

As at 31 December 2016 and 2015, where the Company is lessee, the future minimum lease payments under non-cancellable operating leases within one year are KZT 148,774 thousand.

Capital commitments

As at 31 December 2016 and 2015, the Company did not have any significant capital commitments.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

During 2014-2016, the oil price decreased significantly, which led to a significant decrease in national export revenue. In August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on a free floating tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, the tenge depreciated significantly against major foreign currencies.

Management of the Company is monitoring developments in the current environment and taking measures it consider necessary in order to support the sustainability and development of the Company's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Company might be significant.

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28. Transactions with related parties

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures" include the following.

Other related parties are represented by the entities where the shareholder of the Company also has a stake in.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Company had the following transactions outstanding as at 31 December 2016 and 2015 with related parties:

	31 December 2016		31 December 2015	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Other assets	383	53,075	246,924	314,251
- other related parties	383		206	
- shareholder	-		246,718	
Unearned premiums reserve	85,477	3,753,843	229,737	3,483,933
- other related parties	55,248		227,603	
- key management personnel of the Company	1,379		133	
- shareholder	28,850		2,001	
Other liabilities	4,847	142,159	1,431	151,560
- other related parties	-		28	
- key management personnel of the Company	3,653		920	
- shareholder	1,194		483	

Included in the statement of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015 are the following amounts, which arose due to transactions with related parties:

	Year ended 31 December 2016		Year ended 31 December 2015	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Premiums written, gross	297,271	9,606,833	708,836	10,722,205
- other related parties	233,309		699,524	
- key management personnel of the Company	3,438		356	
- shareholder	60,524		8,956	
Claims paid, gross	(4,242)	(1,737,782)	(9,537)	(1,595,186)
- other related parties	(4,242)		(9,537)	
Salaries and benefits	(201,429)	(1,210,799)	(189,749)	(1,458,932)
- key management personnel of the Company	(201,429)		(175,341)	
- shareholder	-		(14,408)	
Administrative and operating expenses	(173,886)	(734,849)	(165,157)	(787,285)
- other related parties	(173,886)		(165,157)	

Salaries and benefits paid to key management personnel represent short-term compensation.

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29. Geographical concentration

As at 31 December 2016, financial assets and liabilities of the Company were concentrated in the Republic of Kazakhstan, except for financial assets at fair value through profit or loss in OECD countries in the amount of KZT 140,102 thousand and in reinsurance payables amounted to KZT 75,597 thousand.

As at 31 December 2015, financial assets and liabilities of the Company were concentrated in the Republic of Kazakhstan, except for financial assets at fair value through profit or loss in OECD countries in the amount of KZT 115,047 thousand and in reinsurance payables amounted to KZT 342,260 thousand.

30. Fair value of financial instruments

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

The carrying amounts of financial assets and liabilities approximate fair value due to the short-term nature of such financial instruments, except for investments held to maturity, based on market quotes available. As at 31 December 2016 and 2015, the fair value of investments held to maturity, which is based on observable market quotes, amounted to KZT 234,103 thousand and KZT 234,668 thousand, respectively and carrying value amounted to KZT 247,121 thousand and KZT 247,458 thousand, respectively. These investments are classified by the Company within Level 1.

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 December 2016	31 December 2015		
Financial assets at fair value through profit or loss (Note 6)	2,507,023	1,849,970	Level 1	Quoted bid prices in an active market.
Buildings (Note 13)	645,528	654,178	Level 2	Based on the market comparable approach that reflects recent transaction prices for similar properties that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

As at 31 December 2016 and 2015, the shares of the following issuers, classified as investments available-for-sale, that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost:

	31 December 2016	31 December 2015
JSC Insurance Payments Guarantee Fund	17,666	17,666
JSC Bank CenterCredit	-	5,266
JSC Mineral Resources of Central Asia	-	4,146
	17,666	27,078

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31. Risk management policies

Management of risk is fundamental to the insurance business and is an essential element of the Company's operations. The main risks inherent to the Company's operations are those related to underwriting risk, credit risk, market risk on movements in interest and foreign exchange rates, and liquidity risk. A summary of the Company's risk management policies in relation to those risks is as follows.

Underwriting policies

The Company establishes underwriting guidelines and limits, which stipulate the approval process for risks and their limits. These limits are being continuously monitored.

The Company's direct insurance business is spread throughout Republic of Kazakhstan. The Company's reinsurance portfolio is diversified in terms of geographical spread and in terms of lines of business.

Reinsurance

In the normal course of business the Company enters into reinsurance agreements with Kazakhstani and foreign reinsurers. Reinsurance contracts do not relieve the Company from its obligations to policyholders. The Company evaluates the financial condition of its reinsurers and monitors the concentration of credit risks minimize its exposure to significant losses from reinsurer insolvencies.

Insurance reserves

The Company uses actuarial methods and assumptions in insurance and reinsurance liabilities estimations. Please, see Note 2 for actuarial methods for reserves for claims and claims' adjustment expenses calculation. The Company performs a run-off analysis of these reserves.

Claims development

The following table provides the cumulative estimation of claims reserve, including both reported and incurred, except for claims represented at each reporting date for each subsequent loss, together with cumulative payments to the present. Triangle of claims development presented for the last five years.

In establishing the reserves for claims, the Company considers the possibility and improper parameters of future experience, than it is proposed and takes precaution measures under substantial uncertainty. Generally, uncertainty concerned with the practice of losses final payments of accident year shall be the essential when the accident year shall be at the earliest stage and margin that is necessary for confidence provision of reserves amount reached its utmost point. While claims and final cost of claims become more evident, relative degree of supported margin must decrease. However, due to the uncertainty that was gained as the result of the estimation, total reserve of claims not always have the positive net balance.

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Analysis of claims development (gross) as at 31 December 2016:

	2011	2012	2013	2014	At 31 December	
					2015	2016
Gross liability for unpaid claims and claims expenses	454,238	373,199	407,746	427,951	1,295,894	1,399,727
Reinsurance recoverable	-	(37,774)	(235,163)	(231,609)	(325,515)	(404,976)
Net liability for unpaid claims and claims expenses	454,238	335,425	172,582	196,342	970,380	994,751
Liability re-estimated as of:						
Current accident year	375,667	756,757	660,696	1,762,730	1,438,937	1,806,390
One year later	621,742	904,857	932,717	2,113,285	2,124,197	-
Two years later	663,875	950,207	951,191	2,563,477	-	-
Three years later	671,738	958,782	1,070,811	-	-	-
For years later	695,879	964,412	-	-	-	-
Five years later	703,189	-	-	-	-	-
Current estimate of cumulative claims incurred	703,189	964,412	1,070,811	2,563,477	2,124,197	1,806,390
Paid (cumulative) as of:						
Current accident year	375,667	686,369	584,126	1,582,432	1,302,323	1,270,466
One year later	621,742	834,469	856,147	1,932,987	1,734,790	-
Two years later	663,875	879,819	874,621	2,289,503	-	-
Three years later	671,738	888,394	972,320	-	-	-
For years later	695,879	893,819	-	-	-	-
Five years later	696,882	-	-	-	-	-
Cumulative payments to date	696,882	893,819	972,320	2,289,503	1,734,790	1,270,466
Gross insurance contract liabilities at the reporting date	6,307	70,593	98,491	273,974	389,407	535,924
Current estimate of surplus	447,931	302,606	309,255	153,978	906,488	
% Surplus of initial gross reserve	99%	81%	76%	36%	70%	

Investment risks

The investment policy of the Company is based on levels of income and the Company's risk appetite at a point in time. The investment activities of Kazakhstani insurance companies are under the strict supervision of the NBRK and the Company does not have permission to operate as a professional participant in capital markets, therefore the Company hires broker companies to perform investment operations.

The investment portfolio of the Company comprises financial instruments that are chosen according to profitability rates, maturity and the risk level of the investment. The investment portfolio is diversified so as to provide equal income receipts during the investing period. Investment income is generally reinvested to increase the investment portfolio.

Credit risk

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

The Company regularly monitors the collectability of receivables from the insurance and reinsurance businesses. All doubtful amounts due are provided for in the financial statements.

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Maximum exposure

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

As at 31 December 2016 and 2015, the carrying value of financial assets best represents the maximum exposure to its credit risk.

Financial assets are graded according to the current credit rating they have been issued by international rating agencies. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets, which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Company:

	AAA	<BBB	Not rated	31 December 2016 Total
Cash and cash equivalents	106	332,902	16,961	349,969
Securities under reverse repurchase agreement	-	287,360	-	287,360
Term deposits in banks	-	1,362,658	-	1,362,658
Financial assets at fair value through profit and loss	140,102	2,366,921	-	2,507,023
Investments available-for-sale	-	-	17,666	17,666
Investments held-to-maturity	-	247,121	-	247,121
Insurance and reinsurance receivables	54	30,936	561,977	592,967
Other receivables from insurance and reinsurance	49,529	77,378	35,541	162,448
Other financial assets	-	1,381	7,246	8,627

	AAA	<BBB	Not rated	31 December 2015 Total
Cash and cash equivalents	1,085	816,897	10,647	828,629
Term deposits in banks	-	1,476,421	-	1,476,421
Financial assets at fair value through profit and loss	115,047	1,734,923	-	1,849,970
Investments available-for-sale	-	5,266	21,812	27,078
Investments held-to-maturity	-	217,158	-	217,158
Insurance and reinsurance receivables	7,556	19,938	1,005,045	1,027,539
Other receivables from insurance and reinsurance	10,228	26,017	16,350	52,595
Other financial assets	-	3,043	255,495	258,538

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

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

	Current not impaired assets	Financial assets past due but not impaired	Impaired financial assets	31 December 2016 Total
Cash and cash equivalents	349,969	-	-	349,969
Securities under reverse repurchase agreement	287,360	-	-	287,360
Term deposits in banks	1,362,658	-	-	1,362,658
Financial assets at fair value through profit and loss	2,507,023	-	-	2,507,023
Investments available-for-sale	17,666	-	-	17,666
Investments held-to-maturity	247,121	-	-	247,121
Insurance and reinsurance premium receivables	291,185	237,201	127,882	656,268
Other insurance and reinsurance receivables	158,313	4,135	1,660	164,108
Other financial assets	7,881	746	-	8,627

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	Current not impaired assets	Financial assets past due but not impaired	Impaired financial assets	31 December 2015 Total
Cash and cash equivalents	828,629	-	-	828,629
Term deposits in banks	1,476,421	-	-	1,476,421
Financial assets at fair value through profit and loss	1,849,970	-	-	1,849,970
Investments available-for-sale	22,932	-	4,146	27,078
Investments held-to-maturity	247,458	-	-	247,458
Insurance and reinsurance premium receivables	785,343	154,273	121,482	1,061,098
Other insurance and reinsurance receivables	42,708	-	11,892	54,600
Other financial assets	258,275	263	-	258,538

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company manages liquidity risk through a Company's liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; setting up of contingency funding plans; specifies the sources of funding and the events that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence in the light of changing environment in which the Company operates. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss which are included in the column "Less than 1 month" as they are available to meet the Company's short-term liquidity needs.

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	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2016 Total
FINANCIAL ASSETS:								
Securities under reverse repurchase agreement	11.42%	287,360	-	-	-	-	-	287,360
Term deposits in banks	15.49%	146,845	44,396	1,171,417	-	-	-	1,362,658
Financial assets at fair value through profit or loss	6.83%	311,462	-	712,878	931,024	505,437	-	2,460,801
Investments held-to-maturity	7.18%	-	-	-	247,121	-	-	247,121
Total interest bearing financial assets		745,667	44,396	1,884,295	1,178,145	505,437	-	4,357,940
Cash and cash equivalents		349,969	-	-	-	-	-	349,969
Financial assets at fair value through profit or loss		-	-	-	-	-	46,222	46,222
Investments available-for-sale		-	-	-	-	-	17,666	17,666
Insurance and reinsurance premium receivables		291,185	221,371	48,519	31,892	-	-	592,967
Other insurance and reinsurance receivables		142,125	81	1,921	11,711	2,475	4,135	162,448
Reserves for claims and claims' adjustment expenses, reinsurers' share		-	-	169,763	-	-	-	169,763
Other financial assets		7,769	-	112	746	-	-	8,627
Total financial assets		1,536,715	265,848	2,104,610	1,222,494	507,912	68,023	5,705,602
FINANCIAL LIABILITIES:								
Insurance and reinsurance payable		-	114,717	206,697	-	-	-	321,414
Reserves for claims and claims' adjustment expenses		-	-	835,808	-	-	-	835,808
Other financial liabilities		23,406	-	69,330	-	-	-	92,736
Total financial liabilities		23,406	114,717	1,111,835	-	-	-	1,249,958
Liquidity gap		1,513,309	151,131	992,775	1,222,494	507,912	-	-
Interest sensitivity gap		745,667	44,396	1,884,295	1,178,145	505,437	-	-
Cumulative interest sensitivity gap		745,667	790,063	2,674,358	3,852,503	4,357,940	-	-
Cumulative interest sensitivity gap as a percentage of total financial assets		13.07%	13.85%	46.87%	67.52%	76.38%	-	-

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For the year Ended 31 December 2016 (Continued)

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	Weighted average interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2015 Total
FINANCIAL ASSETS:								
Term deposits in banks	6.91%	567,454	-	908,967	-	-	-	1,476,421
Financial assets at fair value through profit or loss	7.10%	-	-	219,509	1,024,628	575,888	-	1,820,025
Investments held-to- maturity	5.35%	-	76,003	-	171,455	-	-	247,458
Total interest bearing financial assets		567,454	76,003	1,128,476	1,196,083	575,888	-	3,543,904
Cash and cash equivalents		828,629	-	-	-	-	-	828,629
Financial assets at fair value through profit or loss		-	-	-	-	-	29,945	29,945
Investments available-for- sale		-	-	-	-	-	27,078	27,078
Insurance and reinsurance premium receivables		755,688	227,660	44,191	-	-	-	1,027,539
Other insurance and reinsurance receivables		11,719	18,176	22,700	-	-	-	52,595
Reserves for claims and claims' adjustment expenses, reinsurers' share		-	-	33,138	-	-	-	33,138
Other financial assets		2,809	528	8,483	246,718	-	-	258,538
Total financial assets		2,166,299	322,367	1,236,988	1,442,801	575,888	57,023	5,801,366
FINANCIAL LIABILITIES:								
Insurance and reinsurance payable		662,524	195,157	-	-	-	-	857,681
Reserves for claims and claims' adjustment expenses		-	-	665,615	-	-	-	665,615
Other financial liabilities		22,173	-	64,660	-	-	-	86,833
Total financial liabilities		684,697	195,157	730,275	-	-	-	1,610,129
Liquidity gap		1,481,602	127,210	508,718	1,442,801	575,888	-	-
Interest sensitivity gap		567,454	76,003	1,128,476	1,196,083	575,888	-	-
Cumulative interest sensitivity gap		567,454	643,457	1,771,933	2,968,016	3,543,904	-	-
Cumulative interest sensitivity gap as a percentage of total financial assets	9.78%		11.09%	30.53%	51.14%	61.07%		

The Company does not include its Unearned premiums reserve (UPR) and Reserves for losses incurred but not reported (IBNR) in its liquidity and maturity analysis, including reinsurance share, due to the realistic maturity of such balances being undeterminable. In addition, the actual liabilities may vary from the amount reserved and as such these amounts are not included in the table above.

Discounted liabilities presented in the tables above are the same as contractual undiscounted liabilities due to their short-term nature.

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in interest rates and assets and liabilities in foreign currencies, all of which are exposed to general and specific market movements. The Company manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin.

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(in Kazakhstani Tenge and in thousands, unless otherwise indicated)

Interest rate risk

In the table below, interest rate sensitivity analysis is presented, which was done on the assumption of a 3% fluctuations in the variable rates as at 31 December 2016 and 2015. Management of the Company believes that in current economic conditions in Republic of Kazakhstan, fluctuations of interest rates by 3% are possible. The calculations disclosed below are used in the internal reports and presented to the key management personnel of the Company. Only existing financial assets and liabilities are included in the computations.

Impact on net profit before tax is presented below:

	As at 31 December 2016		As at 31 December 2015	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Impact on net profit before tax	(195,752)	234,071	(186,840)	229,407

Currency risk

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

	KZT	USD USD 1 = KZT 333.29	EUR EUR 1 = KZT 352.42	Other currency	31 December 2016 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	244,810	105,159	-	-	349,969
Securities under reverse repurchase agreement	287,360	-	-	-	287,360
Term deposits in banks	1,171,417	191,241	-	-	1,362,658
Financial assets at fair value through profit or loss	1,170,745	1,188,176	-	140,102	2,507,023
Investments available-for-sale	17,666	-	-	-	17,666
Investments held-to-maturity	247,121	-	-	-	247,121
Insurance and reinsurance premiums receivable	551,169	41,798	-	-	592,967
Other insurance and reinsurance receivables	162,448	-	-	-	162,448
Reserves for claims and claims' adjustment, reinsurers' share	169,763	-	-	-	169,763
Other financial assets	8,627	-	-	-	8,627
TOTAL FINANCIAL ASSETS	4,039,126	1,526,374	-	140,102	5,705,602
FINANCIAL LIABILITIES:					
Insurance and reinsurance payables	285,672	35,742	-	-	321,414
Reserves for claims and claims' adjustment expenses	828,232	2,556	5,020	-	835,808
Other financial liabilities	92,339	-	382	15	92,736
TOTAL FINANCIAL LIABILITIES	1,206,243	38,298	5,402	15	1,249,958
OPEN BALANCE SHEET POSITION	2,832,883	1,488,076	(5,402)	140,087	

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	KZT	USD USD 1 = KZT 340.01	EUR EUR 1 = KZT 371.46	Other currency	31 December 2015 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	336,958	491,623	48	-	828,629
Term deposits in banks	306,164	1,170,257	-	-	1,476,421
Financial assets at fair value through profit or loss	475,789	1,259,134	-	115,047	1,849,970
Investments available-for-sale	27,078	-	-	-	27,078
Investments held-to-maturity	247,458	-	-	-	247,458
Insurance and reinsurance premiums receivable	974,122	53,417	-	-	1,027,539
Reserves for claims and claims' adjustment, reinsurers' share	33,138	-	-	-	33,138
Other insurance and reinsurance receivables	52,595	-	-	-	52,595
Other financial assets	258,538	-	-	-	258,538
TOTAL FINANCIAL ASSETS	2,711,840	2,974,431	48	115,047	5,801,366
FINANCIAL LIABILITIES:					
Insurance and reinsurance payables	724,888	132,793	-	-	857,681
Reserves for claims and claims' adjustment expenses	665,615	-	-	-	665,615
Other financial liabilities	86,761	48	12	12	86,833
TOTAL FINANCIAL LIABILITIES	1,477,264	132,841	12	12	1,610,129
OPEN BALANCE SHEET POSITION	1,234,576	2,841,590	36	115,035	

Currency risk sensitivity

The following table details the Company's sensitivity to 20% (2015: 40%) increase and decrease in the USD and EUR, respectively, against the KZT. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates of the tenge against the U.S. Dollar during the year ended 31 December 2016. These rates are the level of sensitivity analysis, which includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% (2015: 40%) change in foreign currency rates.

The 20% rate is applied due to the implementation of a new monetary policy based on a free-floating tenge exchange rate by the NBRK.

As at 31 December 2016 and 2015, the impact on net profit and equity based on the open balance sheet position is as follows:

	31 December 2016		31 December 2015	
	KZT/USD +20%	KZT/USD -20%	KZT/USD +40%	KZT/USD -40%
Impact on net profit and equity	238,092	(238,092)	909,309	(909,309)
	31 December 2016		31 December 2015	
	KZT/EUR +20%	KZT/EUR -20%	KZT/EUR +40%	KZT/EUR -40%
Impact on net profit and equity	(864)	864	12	(12)

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Price risk

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

	31 December 2016		31 December 2015	
	1% increase in equity securities price	1% decrease in equity securities price	1% increase in equity securities price	1% decrease in equity securities price
Impact on profit or loss before tax and equity	639	(639)	570	(570)