

SB JSC “Bank Home Credit”

Condensed Interim
Financial Information
for the three-month period
ended 31 March 2016

Contents

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Interim Statement of Financial Position	4
Condensed Interim Statement of Cash Flows	5
Condensed Interim Statement of Changes in Equity	6
Notes to the Condensed Interim Financial Statements	7-24

SB JSC "Bank Home Credit"
*Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the three-month period ended 31 March 2016*

	Note	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Interest income	4	8,471,788	7,923,842
Interest expense	4	(2,167,386)	(1,625,147)
Net interest income		6,304,402	6,298,695
Fee and commission income	5	3,609,326	3,923,253
Fee and commission expense	6	(265,816)	(334,243)
Net fee and commission income		3,343,510	3,589,010
Net loss on financial instruments at fair value through profit or loss		(280,704)	(277,358)
Foreign exchange loss		(228,455)	(485,088)
Other operating income, net		29,839	56,733
Operating income		9,168,592	9,181,992
Impairment losses	7	(1,545,875)	(3,937,383)
General administrative expenses	8	(4,597,767)	(3,504,237)
Profit before income tax		3,024,950	1,740,372
Income tax expense	9	(706,622)	(355,267)
Profit and total comprehensive income for the period		2,318,328	1,385,105
Earnings per share, in KZT (basic and diluted)	18	66,447	39,699

The condensed interim financial information as set out on pages 3 to 24 were approved by the Management on 11 May 2016 and were signed on its behalf by:



Ondrej Kubik
Chairman of the Board



Gaukhar Massangaliyeva
Chief Accountant

SB JSC “Bank Home Credit”
Condensed Interim Statement of Financial Position as at 31 March 2016

		Unaudited	
	Note	31 March 2016	31 December 2015
		KZT'000	KZT'000
ASSETS			
Cash and cash equivalents	10	9,212,198	13,190,286
Placements with banks and other financial institutions		2,233,530	-
Loans and advances to banks		1,953	1,952
Financial instruments at fair value through profit or loss		57,540	-
Loans to customers	11	92,521,636	96,629,836
Current tax assets		32,342	73,961
Property, equipment and intangible assets	12	6,382,724	5,880,416
Other assets		1,493,470	1,656,278
Total assets		111,935,393	117,432,729
LIABILITIES			
Deposits and balances from banks	13	22,651,945	23,938,458
Current accounts and deposits from customers	14	44,112,136	44,301,944
Debt securities issued	15	13,912,014	13,891,769
Deferred tax liability		82,749	155,210
Other liabilities		2,991,811	3,278,905
Total liabilities		83,750,655	85,566,286
EQUITY			
Share capital	16	5,199,503	5,199,503
Retained earnings	16	22,985,235	26,666,940
Total equity		28,184,738	31,866,443
Total liabilities and equity		111,935,393	117,432,729
Book value per share, in KZT	17	695,521	820,015

SB JSC “Bank Home Credit”
Condensed Interim Statement of Cash Flows for three-month period ended 31 March 2016

	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	8,240,779	7,778,911
Interest payments	(1,588,482)	(1,216,148)
Fee and commission receipts	3,764,185	4,010,017
Fee and commission payments	(259,252)	(360,432)
Net payments from financial instruments at fair value through profit or loss	(338,244)	(444,377)
Net (payments)/receipts from foreign exchange transactions	(99,909)	3,335
Other income receipts, net	29,839	56,733
General administrative expenses	(4,120,589)	(3,146,625)
(Increase)/decrease in operating assets		
Financial instruments at fair value through profit or loss	-	40,481
Placements with banks and other financial institutions	(2,233,530)	-
Loans and advances to banks	1	361
Loans to customers	2,343,840	(156,815)
Other assets	113,664	(51,728)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(1,734,832)	6,746,034
Current accounts and deposits from customers	(804,309)	1,995,816
Other liabilities	98,310	35,487
Net cash flow from operations before income tax paid	3,411,471	15,291,050
Income tax paid	(737,464)	(497,984)
Cash flows from operating activities	2,674,007	14,793,066
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(1,027,990)	(296,794)
Proceeds from sale of property and equipment	313	-
Cash flows used in investing activities	(1,027,677)	(296,794)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	-	(640,000)
Receipts of other borrowed funds	-	7,957,050
Repayment of other borrowed funds	-	(12,584,300)
Dividend payment	(6,000,033)	-
Cash flows used in financing activities	(6,000,033)	(5,267,250)
Net (decrease)/increase in cash and cash equivalents	(4,353,703)	9,229,022
Effect of changes in exchange rates on cash and cash equivalents	375,615	24,028
Cash and cash equivalents as at the beginning of the period	13,190,286	3,445,739
Cash and cash equivalents as at the end of the period (Note 10)	9,212,198	12,698,789

SB JSC “Bank Home Credit”
Condensed Interim Statement of Changes in Equity for the three-month period ended 31 March 2016

KZT'000	Share capital	Retained earnings	Total equity
Balance as at 1 January 2015	5,199,503	24,183,279	29,382,782
Profit and total comprehensive income for the three-month period (unaudited)	-	1,385,105	1,385,105
Dividends declared (unaudited)	-	(2,999,975)	(2,999,975)
Balance as at 31 March 2015 (unaudited)	5,199,503	22,568,409	27,767,912
Balance as at 1 January 2016	5,199,503	26,666,940	31,866,443
Profit and total comprehensive income for the three-month period (unaudited)	-	2,318,328	2,318,328
Dividend payments (unaudited)	-	(6,000,033)	(6,000,033)
Balance as at 31 March 2016 (unaudited)	5,199,503	22,985,235	28,184,738

1 Background

(a) Organisation and operations

Private Bank FTD was established in 1993 and subsequently renamed to Bank Alma-Ata in December 1994. In December 1995, the Bank was re-registered as Open Joint Stock Company International Bank Alma-Ata. Due to a change in legislation, the Bank was re-registered as a joint stock company in November 2004. On 4 November 2008, International Bank Alma-Ata JSC was renamed to Home Credit Bank JSC. In January 2013 the Bank was acquired by Home Credit and Finance Bank incorporated in the Russian Federation, in this connection the Bank was renamed to Subsidiary Bank Joint Stock Company Home Credit and Finance Bank (short name SB JSC “Bank Home Credit”) on 4 April 2013.

The principal activities of the Bank are retail lending, deposit taking and customer accounts maintenance, issuing guarantees, cash and settlement operations and foreign exchange. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”). The Bank holds banking licence #1.1.188 dated 14 May 2013.

The registered address of the Bank’s head office is 248, Furmanov Street, Almaty, Republic of Kazakhstan, 050059. As at 31 March 2016, the Bank had 17 branches and 41 bank offices (31 December 2015: 17 branches and 41 bank offices).

Debt securities issued by the Bank are listed on Kazakhstan Stock Exchange (KASE).

As at 31 March 2016 the Bank was 100% owned by Home Credit and Finance Bank incorporated in the Russian Federation. The ultimate controlling owner of the Bank is Petr Kellner, who exercises control over Home Credit and Finance Bank through PPF Group N.V. registered in the Netherlands.

(b) Kazakhstan business environment

The Bank’s operations are primarily located in Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. Legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Kazakhstan. The condensed interim financial information reflects the management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Bank. The future business environment may differ from the management’s assessment.

2 Basis of preparation

(a) Statement of compliance

These condensed interim financial information is prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* (“IAS 34”). It does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2015, as these condensed interim financial information provides an update of previously reported financial information.

(b) Basis of measurement

The condensed interim financial information is prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

2 Basis of preparation, continued

(c) Functional and presentation currency

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

The KZT is also the presentation currency for the purposes of these condensed interim financial information. Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

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

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

In preparing these condensed interim financial information significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2015.

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

- financial instruments at fair value through profit or loss – Note 23;
- loan impairment estimates – Note 11.

3 Significant accounting policies

The accounting policies applied by the Bank in these condensed interim financial information is consistent with those applied by the Bank in its financial statements for the year ended 31 December 2015.

(a) Comparative information

Prior period reclassification

During the preparation of the Bank's condensed interim financial information for the three-month period ended 31 March 2016, management made certain reclassifications affecting the corresponding figures to conform to the presentation of the condensed interim financial information for the three-month period ended 31 March 2016.

In the statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2015 part of professional services which comprises commissions paid to the First Credit Bureau and the State Centre of Pension Payments of the Republic of Kazakhstan for services on verification of information on Bank loan applicants in the amount of KZT 135,575 thousand were reclassified from other general administrative expenses to fee and commission expense. Management believes that this presentation is more appropriate presentation in accordance with IFRS. The effect of reclassifications on the corresponding figures can be summarised as follows:

3 Significant accounting policies, continued

(a) Comparative information, continued

Prior period reclassification, continued

KZT'000	<u>As reclassified</u>	<u>Effect of reclassifications</u>	<u>As previously reported</u>
Statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2015			
Fee and commission expense	(334,243)	(135,575)	(198,668)
Other general administrative expenses	(3,504,237)	135,575	(3,639,812)
Statement of cash flows for the three-month period ended 31 March 2015			
Fee and commission payments	(360,432)	(135,575)	(224,857)
General administrative expenses	(3,146,625)	135,575	(3,282,200)

The above reclassifications do not impact the Bank's results or equity.

4 Net interest income

	<u>Unaudited three-month period ended 31 March 2016 KZT'000</u>	<u>Unaudited three-month period ended 31 March 2015 KZT'000</u>
Interest income		
Loans to customers	8,327,342	7,923,839
Cash and cash equivalents	120,856	3
Placements with banks and other financial institutions	23,590	-
	<u>8,471,788</u>	<u>7,923,842</u>
Interest expense		
Deposits and balances from banks	1,103,395	234,187
Current accounts and deposits from customers	722,242	579,886
Debt securities issued	341,749	338,765
Other borrowed funds	-	464,629
Subordinated loan	-	7,680
	<u>2,167,386</u>	<u>1,625,147</u>
	<u>6,304,402</u>	<u>6,298,695</u>

5 Fee and commission income

	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Commission income from insurance	2,336,316	2,843,357
Contractual penalties from customers	907,947	767,698
Fees from retailers	313,792	261,439
Card operations	30,527	29,770
Transfer operations	6,152	3,355
Cash withdrawal	411	566
Other	14,181	17,068
	<u>3,609,326</u>	<u>3,923,253</u>

6 Fee and commission expense

	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Commissions paid to partners	139,190	147,191
Commissions paid for verification services	76,698	135,575
Card processing	16,827	13,033
Deposit insurance fund contributions	13,015	7,933
Settlements	8,230	5,470
Other	11,856	25,041
	<u>265,816</u>	<u>334,243</u>

7 Impairment losses

	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Loans to customers	1,486,906	3,938,076
Other assets	58,969	(693)
	<u>1,545,875</u>	<u>3,937,383</u>

8 General administrative expenses

	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Employee compensation and payroll related taxes	2,479,465	1,838,468
Depreciation and amortisation	432,876	357,013
Information technology	349,268	172,712
Occupancy	249,707	232,996
Collectors' services	242,453	155,495
Advertising and marketing	212,496	143,615
Telecommunication and postage	166,826	180,762
Taxes other than income tax	154,968	136,326
Professional services	134,295	138,951
Travel expenses	43,929	44,868
Other	131,484	103,031
	4,597,767	3,504,237

9 Income tax expense

	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Current tax expense		
Current tax expense	779,083	353,744
	779,083	353,744
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	(72,461)	1,523
Total income tax expense	706,622	355,267

In 2016, the applicable tax rate for current and deferred tax is 20% (2015: 20%).

Reconciliation of effective tax rate:

	Unaudited three-month period ended 31 March 2016 KZT'000	%	Unaudited three-month period ended 31 March 2015 KZT'000	%
Profit before income tax	3,024,950	100.0	1,740,372	100.0
Income tax at the applicable tax rate	604,990	20.0	348,074	20.0
Non-deductible costs	101,632	3.4	7,193	0.4
	706,622	23.4	355,267	20.4

10 Cash and cash equivalents

	Unaudited	
	31 March 2016	31 December 2015
	KZT'000	KZT'000
Cash on hand	2,745,208	2,296,857
Nostro accounts with the NBRK	411,015	5,950,930
Placements with NBRK due within one month	5,602,332	-
-Nostro accounts with other banks:		
- rated from BBB- to BBB+	363,456	4,835,277
- rated from BB- to BB+	50,830	68,379
- rated below B+	39,357	38,843
	9,212,198	13,190,286

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

No cash and cash equivalents were impaired or past due.

As at 31 March 2016 the Bank had exposure towards one banking counterparties exceeding 10% of the Bank's equity with the gross value of KZT 6,013,347 thousand (31 December 2015: 10,683,127).

11 Loans to customers

	Unaudited	
	31 March 2016	31 December 2015
	KZT'000	KZT'000
Cash loans	72,441,103	75,329,100
POS loans	28,583,358	31,127,604
Credit cards	1,753,807	1,416,467
Total loans	102,778,268	107,873,171
Impairment allowance	(10,256,632)	(11,243,335)
Net loans	92,521,636	96,629,836

Movements in the loan impairment allowance by classes of loans to customers for the three-month period ended 31 March 2016 were as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the three-month period	8,015,372	3,096,131	131,832	11,243,335
Net charge	874,081	563,382	49,443	1,486,906
Net write offs	(1,600,406)	(820,905)	(52,298)	(2,473,609)
Balance at the end of the three-month period	7,289,047	2,838,608	128,977	10,256,632

11 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the three-month period ended 31 March 2015 were as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the three-month period	10,477,013	2,087,839	163,126	12,727,977
Net charge	2,827,439	1,055,165	55,472	3,938,076
Net write-offs	<u>(3,061,779)</u>	<u>(506,989)</u>	<u>(48,307)</u>	<u>(3,617,075)</u>
Balance at the end of the three-month period	<u>10,242,672</u>	<u>2,636,015</u>	<u>170,291</u>	<u>13,048,978</u>

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 March 2016:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to individuals				
- not overdue	86,265,775	(965,031)	85,300,744	1.12
- overdue less than 90 days	6,938,947	(2,740,278)	4,198,669	39.49
- overdue 90-360 days	9,573,546	(6,551,323)	3,022,223	68.43
Total loans to individuals	<u>102,778,268</u>	<u>(10,256,632)</u>	<u>92,521,636</u>	<u>9.98</u>

The following table provides information on the credit quality of the loans to customers as at 31 December 2015:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans %
Loans to individuals				
- not overdue	90,718,285	(1,100,209)	89,618,076	1.21
- overdue less than 90 days	6,042,455	(2,513,401)	3,529,054	41.60
- overdue 90-360 days	11,112,431	(7,629,725)	3,482,706	68.66
Total loans to individuals	<u>107,873,171</u>	<u>(11,243,335)</u>	<u>96,629,836</u>	<u>10.42</u>

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 31 March 2016 total impairment allowance to non-performing loans was 107% (31 December 2015: 101%).

Loans overdue for 360 days are written off.

11 Loans to customers, continued

(b) Key assumptions and judgments for estimating loan impairment

The Bank estimates loan impairment for loans to individuals based on its past historical loss experience on each type of loan. Significant assumptions used by management in determining impairment losses for loans to individuals include loss migration rates which are consistent with recent experience and can be estimated based on the historical loss migration pattern for the past twelve months. Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loan impairment allowance on loans to customers as at 31 March 2016 would be KZT 925,216 thousand lower/higher (31 December 2015: KZT 966,298 thousand).

(c) Loan collateral

The recoverability of loans is primarily dependent on the creditworthiness of the borrowers. Loans to customers are not secured.

(d) Significant credit exposures

As at 31 March 2016, the Bank had no borrowers whose loan balances exceeded 10% of the Bank's equity (31 December 2015: none).

12 Property, equipment and intangible assets

	Unaudited 31 March 2016 KZT'000	31 December 2015 KZT'000
Acquisition cost	9,607,511	8,681,263
Accumulated depreciation and amortisation	(3,224,787)	(2,800,847)
Carrying amount	6,382,724	5,880,416

There were no capitalised borrowing costs related to the acquisition or construction of property and equipment during the three-month period ended 31 March 2016 or for the year ended 31 December 2015.

13 Deposits and balances from banks

	Unaudited 31 March 2016 KZT'000	31 December 2015 KZT'000
Vostro accounts	7,487	34,975
Term deposits	22,644,458	23,903,483
	22,651,945	23,938,458

As at 31 March 2016 the Bank had one counterparty whose balances exceeded 10% of the Bank's equity and amounted to KZT 21,025,885 thousand (31 December 2015: 21,836,815).

14 Current accounts and deposits from customers

	Unaudited	
	31 March 2016	31 December 2015
	KZT'000	KZT'000
Current accounts and demand deposits		
- Retail	7,636,542	8,982,845
- Corporate	3,218,943	3,736,131
Term deposits		
- Retail	11,706,772	9,100,456
- Corporate	21,549,879	22,482,512
	44,112,136	44,301,944

As at 31 March 2016 the Bank had one customer whose balances exceeded 10% of the Bank's equity and amounted to KZT 3,234,551 thousand (31 December 2015: one customer whose balances amounted to KZT 3,400,300 thousand).

15 Debt securities issued

			Unaudited	
	Maturity	Coupon rate, %	31 March 2016	31 December 2015
			KZT'000	KZT'000
Unsecured KZT denominated bonds of the 1 st issue program 1*	November 2016	8.5	7,181,833	7,009,921
Unsecured KZT denominated bonds of the 1 st issue program 2*	February 2019	9.5	6,730,181	6,881,848
			13,912,014	13,891,769

* Quoted on the Kazakhstan Stock Exchange.

16 Equity**(a) Issued capital**

As at 31 March 2016 the authorised share capital comprised 160,240 ordinary shares (31 December 2015: 160,240 ordinary shares) and issued and outstanding share capital comprised 34,890 ordinary shares (31 December 2015: 34,890 ordinary shares). The shares do not have nominal value.

(b) Dividends

In accordance with Kazakhstan legislation the distributable dividend amount is limited to the balance of retained earnings including net profit for the year as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency. Under Kazakhstan legislation, as at the reporting date, reserves available for distribution amounted to KZT 22,985,235 thousand (31 December 2015: KZT 26,666,940 thousand).

During the three-month period ended 31 March 2016 dividends of KZT 6,000,033 thousand (KZT 171,970 per share) for the year ended 31 December 2015 were declared and paid in accordance with the decision of the Bank's sole shareholder (31 December 2015: KZT 6,002,481 thousand, KZT 172,040 per share).

17 Book value per share

The calculation of book value per share as at 31 March 2016 is based on number of outstanding ordinary shares of 34,890 (31 December 2015: 34,890) and net assets calculated in accordance with the Listing rules of Kazakhstan Stock Exchange as follows:

	Unaudited	
	31 March 2016	31 December 2015
	KZT'000	KZT'000
Total assets	111,935,393	117,432,729
Intangible assets	(3,917,993)	(3,256,120)
Total liabilities	(83,750,655)	(85,566,286)
Net assets	24,266,745	28,610,323

The following table shows the book value per share calculations:

	Unaudited	
	31 March 2016	31 December 2015
Net assets, KZT'000	24,266,745	28,610,323
Outstanding number of ordinary shares at the end of the period	34,890	34,890
Book value per share, KZT	695,521	820,015

18 Earnings per share

The calculation of basic earnings per share for the three-month periods ended 31 March 2016 and 2015 is based on the net profit for the three-month period attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

	Unaudited	Unaudited
	three-month	three-month
	period ended	period ended
	31 March 2016	31 March 2015
Net profit attributable to ordinary shareholders, KZT'000	2,318,328	1,385,105
Weighted average number of ordinary shares	34,890	34,890
Earnings per share, KZT	66,447	39,699

There are no potentially dilutive shares for the three-month periods ended 31 March 2016 or 31 March 2015.

19 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the NBRK the Bank has to maintain: a ratio of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 31 March 2016 the minimum level of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk was 0.050 (31 December 2015: 0.050) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 0.075 (31 December 2015: 0.075). The Bank was in compliance with the statutory capital requirements as at 31 March 2016 and 31 December 2015.

The following table shows the composition of the Bank's capital position calculated in accordance with the requirements of the NBRK:

	31 March 2016	31 December 2015
	KZT'000	KZT'000
Tier 1 capital		
Share capital	5,199,503	5,199,503
Retained earnings of prior years	20,666,907	18,180,798
Profit for the period	2,318,328	8,486,142
Intangible assets	(3,917,993)	(3,256,120)
Total tier 1 capital	24,266,745	28,610,323
Total tier 2 capital	-	-
Total capital	24,266,745	28,610,323
Total credit risk-weighted assets	115,628,101	100,907,801
Total credit risk-weighted assets and liabilities, including market and operational risk	142,492,931	132,060,724
Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)	0.170	0.217
Total tier 1 capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital ratio)	0.170	0.217

20 Commitments

The Bank has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

	31 March 2016	31 December 2015
	KZT'000	KZT'000
Contracted amount		
Loan and credit line commitments	1,860,542	1,802,165
	1,860,542	1,802,165

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 31 March 2016 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank's equity (31 December 2015: none).

In accordance with the NBRK Resolution #157 dated 9 September 2015 “On approval of the payment of exchange rate differences on deposits of individuals, opened in local currency, due to the transition to a regime of freely floating exchange rate” losses caused by exchange rate (KZT/USD) differences will be compensated by the NBRK for individuals' KZT denominated deposits. Compensation applies only to those depositors who had balances as at 18 August 2015 in the amount up to one million KZT. If a depositor had several deposits with a balance of less than one million tenge each, the compensation is applied for all deposits. Furthermore, deposits need to remain in the banks up to 30 September 2016 and then the compensation will be paid taking into account the exchange rate at the time.

As the Bank acts as an intermediary for the payment of this compensation, potential obligations relating to this compensation estimated at KZT 651,453 thousand at the reporting date were not recognised in the statement of financial position as at 31 March 2016.

21 Operating leases

The Bank leases a number of premises under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Usually lease agreements are concluded on the terms that allow the Bank to cancel the lease at any time during the lease term. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the three-month period ended 31 March 2016 KZT 222,835 thousand was recognized as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (three-month period ended 31 March 2015: KZT 213,008 thousand).

As at 31 March 2016 the Bank reported KZT 1,429 thousands of prepayments included in the balance of other assets serving as security deposits in case of an early termination of lease agreements (31 December 2015: KZT 1,243 thousand).

22 Related party transactions

(a) Control relationships

The Bank's parent company is Home Credit and Finance Bank (Russia). The Bank's ultimate controlling owner is Petr Kellner. The Bank's parent company issues publicly available financial statements.

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

Total remuneration included in personnel expenses for the three-month periods ended 31 March 2016 and 2015 was as follows:

	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Members of the Board of Directors	73,008	25,497
Members of the Management Board	184,118	55,244
	257,126	80,741

The outstanding balances and average interest rates as at 31 March 2016 and 31 December 2015 for balances with members of the Board of Directors and the Management Board were as follows:

	Unaudited 31 March 2016 KZT'000	Average interest rate, %	31 December 2015 KZT'000	Average interest rate, %
Statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	36,219	-	27,164	0.01

Total amounts included in profit or loss in relation to transactions with members of the Board of Directors and the Management Board for the three-month periods ended 31 March 2016 and 2015 were as follows:

	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Statement of profit or loss and other comprehensive income		
Interest expense	-	28
	-	28

22 Related party transactions, continued**(c) Transactions with the parent**

As at 31 March 2016 and 31 December 2015 balances with the parent included in the statement of financial position were as follows:

Statement of financial position	Unaudited 31 March 2016 KZT'000	Average interest rate, %	31 December 2015 KZT'000	Average interest rate, %
ASSETS				
Cash and cash equivalents				
-In USD	124	-	122	-
-In EUR	124	-	118	-
-In RUB	29	-	37	-
Financial instruments at fair value through profit or loss				
-In USD	57,540	-	-	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	21,025,541	20.00	21,836,815	19.70
-In USD	344	-	-	-

During the three-month periods ended 31 March 2016 and 2015 transactions with the parent included in the statement of profit or loss and other comprehensive income were as follows:

Statement of profit or loss and other comprehensive income	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Interest expense		
Deposits and balances from banks		
-In KZT	1,007,757	-
	<u>1,007,757</u>	<u>-</u>
Other borrowed funds		
-In USD	-	140,286
	<u>-</u>	<u>140,286</u>
Net loss on financial instruments at fair value through profit or loss		
- in USD	749,081	-
	<u>749,081</u>	<u>-</u>
Fee and commission expense		
Other fee and commission expense		
-In KZT	-	18,445
	<u>-</u>	<u>18,445</u>

22 Related party transactions, continued**(d) Transactions with entities controlled by the ultimate controlling owner**

As at 31 March 2016 and 31 December 2015 balances with entities controlled by the ultimate controlling owner included in the statement of financial position were as follows:

Statement of financial position	Unaudited 31 March 2016 KZT'000	Average interest rate, %	31 December 2015 KZT'000	Average interest rate, %
ASSETS				
Placements with banks and other financial institutions				
-In USD	2,233,530	5.25	-	-
Property, equipment and intangible assets				
-In KZT	2,891,377	-	2,465,725	-
Other financial assets				
-In EUR	22,614	-	-	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	540,676	16.78	520,845	14.93
Current accounts and deposits from customers				
-In KZT	658,402	-	652,479	8.00
Other financial liabilities				
-In EUR	181,522	-	301,888	-

During the three-month periods ended 31 March 2016 and 2015 transactions with entities controlled by the ultimate controlling owner included in the statement of profit or loss and other comprehensive income were as follows:

Statement of profit or loss and other comprehensive income	Unaudited three-month period ended 31 March 2016 KZT'000	Unaudited three-month period ended 31 March 2015 KZT'000
Interest income		
Placements with banks and other financial institutions		
-In USD	23,590	-
	23,590	-
Interest expense		
Deposits and balances from banks		
-In KZT	21,218	82,800
-In USD	-	2,346
Current accounts and deposits from customers		
-In KZT	8,948	12,156
Other borrowed funds		
-In KZT	-	182,750
-In USD	-	141,593
Subordinated loan		
-In KZT	-	7,680
	30,166	429,325
General administrative expenses		
General administrative expenses	526,914	368,841
	526,914	368,841

23 Financial assets and liabilities: fair values and accounting classifications**(a) Accounting classifications and fair values**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 March 2016:

KZT'000	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash equivalents	-	6,466,990	-	6,466,990	6,466,990
Placements with banks and other financial institutions	-	2,233,530	-	2,233,530	2,233,530
Loans and advances to banks	-	1,953	-	1,953	1,953
Financial instruments at fair value through profit and loss	57,540	-	-	57,540	57,540
Loans to customers	-	92,521,636	-	92,521,636	92,521,636
Other financial assets	-	929,548	-	929,548	929,548
	57,540	102,153,657	-	102,211,197	102,211,197
Deposits and balances from banks	-	-	22,651,945	22,651,945	23,182,374
Current accounts and deposits from customers	-	-	44,112,136	44,112,136	45,584,488
Debt securities issued	-	-	13,912,014	13,912,014	12,280,390
Other financial liabilities	-	-	1,113,032	1,113,032	1,113,032
	-	-	81,789,127	81,789,127	82,160,284

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

KZT'000	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash equivalents	10,893,429	-	10,893,429	10,893,429
Loans and advances to banks	1,952	-	1,952	1,952
Loans to customers	96,629,836	-	96,629,836	96,629,836
Other financial assets	925,342	-	925,342	925,342
	108,450,559	-	108,450,559	108,450,559
Deposits and balances from banks	-	23,938,458	23,938,458	24,266,053
Current accounts and deposits from customers	-	44,301,944	44,301,944	44,559,994
Debt securities issued	-	13,891,769	13,891,769	12,371,437
Other financial liabilities	-	1,782,141	1,782,141	1,782,141
	-	83,914,312	83,914,312	82,979,625

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

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

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

(a) Accounting classifications and fair values, continued

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

(b) Fair value hierarchy

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

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

The Bank has a control framework with respect to the measurement of fair values. This framework includes a Financial markets unit function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both quarterly calibration and the back testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, by the Financial markets unit.

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

(b) Fair value hierarchy, continued

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Financial markets unit assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet IFRS requirements. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

Significant valuation issues are reported to the Management Board.

24 Subsequent events

In April 2016 the Bank declared and paid out additional dividends of KZT 3,000,017 thousand (KZT 85,985 per share) for the year ended 31 December 2015 in accordance with the decision of the Bank's sole shareholder.