

SB JSC “Bank Home Credit”

Condensed Interim
Financial Information
for the nine-month period
ended 30 September 2015

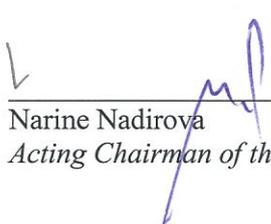
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SB JSC "Bank Home Credit"
*Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the nine-month period ended 30 September 2015*

	Note	Unaudited nine-month period ended 30 Sep 2015 KZT'000	Unaudited nine-month period ended 30 Sep 2014 KZT'000	Unaudited three-month period ended 30 Sep 2015 KZT'000	Unaudited three-month period ended 30 Sep 2014 KZT'000
Interest income	4	23,916,189	24,731,307	8,201,240	8,175,385
Interest expense	4	(4,851,266)	(6,131,751)	(1,642,331)	(1,906,287)
Net interest income		19,064,923	18,599,556	6,558,909	6,269,098
Fee and commission income	5	12,230,540	10,903,511	4,243,510	4,145,478
Fee and commission expense	6	(562,297)	(684,664)	(178,527)	(201,802)
Net fee and commission income		11,668,243	10,218,847	4,064,983	3,943,676
Net gain/(loss) on financial instruments at fair value through profit or loss	7	5,452,997	459,260	6,268,087	(3,360)
Foreign exchange loss		(7,304,871)	(20,781)	(6,765,802)	(3,290)
Other operating (loss)/income, net		(86,579)	57,282	(80,772)	66,670
Operating income		28,794,713	29,314,164	10,045,405	10,272,794
Impairment losses	8	(8,435,152)	(10,429,720)	(2,104,277)	(2,957,935)
General administrative expenses	9	(11,251,910)	(11,770,506)	(3,925,831)	(3,885,900)
Profit before income tax		9,107,651	7,113,938	4,015,297	3,428,959
Income tax expense	10	(2,608,899)	(1,628,194)	(976,323)	(822,954)
Profit and total comprehensive income for the period		6,498,752	5,485,744	3,038,974	2,606,005

The condensed interim financial information as set out on pages 3 to 24 were approved by the Management on 13 November 2015 and were signed on its behalf by:





Narine Nadirova
Acting Chairman of the Board

Gaukhar Massangaliyeva
Chief Accountant

SB JSC “Bank Home Credit”
Condensed Interim Statement of Financial Position as at 30 September 2015

		Unaudited	
		30 September	31 December
		2015	2014
	Note	KZT'000	KZT'000
ASSETS			
Cash and cash equivalents	11	10,385,735	3,445,739
Loans and advances to banks		2,371	3,184
Financial instruments at fair value through profit or loss		2,735,090	292,148
Loans to customers	12	93,104,602	101,200,959
Current tax assets		257,538	136,909
Property, equipment and intangible assets	13	5,388,581	5,133,283
Other assets		1,017,616	1,439,946
Total assets		112,891,533	111,652,168
LIABILITIES			
Deposits and balances from banks	14	9,339,947	3,434,275
Current accounts and deposits from customers	15	44,130,940	38,512,132
Debt securities issued	16	13,848,742	13,771,229
Subordinated loan		-	640,284
Other borrowed funds	17	12,337,291	21,761,876
Deferred tax liability		757,834	119,250
Other liabilities		2,597,726	4,030,340
Total liabilities		83,012,480	82,269,386
EQUITY			
Share capital	18	5,199,503	5,199,503
Retained earnings	18	24,679,550	24,183,279
Total equity		29,879,053	29,382,782
Total liabilities and equity		112,891,533	111,652,168

SB JSC “Bank Home Credit”
Condensed Interim Statement of Cash Flows for the nine-month period ended 30 September 2015

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	23,289,306	24,429,682
Interest payments	(4,072,236)	(5,156,441)
Fee and commission receipts	12,616,002	10,472,548
Fee and commission payments	(575,736)	(609,006)
Net receipts from financial instruments at fair value through profit or loss	3,010,055	459,260
Net payments from foreign exchange transactions	(438,182)	(140,983)
Other income (payments)/receipts, net	(86,579)	7,605
General administrative expenses	(9,883,152)	(10,612,652)
(Increase)/decrease in operating assets		
Loans and advances to banks	813	(1,163)
Loans to customers	(1,456,646)	(4,046,258)
Other assets	(101,814)	22,061
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	5,900,541	62,280
Current accounts and deposits from customers	647,600	(5,258,766)
Other liabilities	264,042	(57,734)
Net cash flow from operations before income tax paid	29,114,014	9,570,433
Income tax paid	(2,090,944)	(1,732,812)
Cash flows from operating activities	27,023,070	7,837,621
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(1,539,462)	(1,988,477)
Proceeds from sale of property and equipment	2,121	1,707
Cash flows used in investing activities	(1,537,341)	(1,986,770)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	(640,000)	-
Receipts of other borrowed funds	7,957,050	200,000
Repayment of other borrowed funds	(21,019,800)	(7,821,480)
Receipts from the issue of debt securities	-	6,570,811
Dividend payment	(6,002,481)	(6,800,000)
Cash flows used in financing activities	(19,705,231)	(7,850,669)
Net increase/(decrease) in cash and cash equivalents	5,780,498	(1,999,818)
Effect of changes in exchange rates on cash and cash equivalents	1,159,498	459,206
Cash and cash equivalents as at the beginning of the period	3,445,739	8,643,115
Cash and cash equivalents as at the end of the period (Note 11)	10,385,735	7,102,503

SB JSC “Bank Home Credit”
Condensed Interim Statement of Changes in Equity for the nine-month period ended 30 September 2015

KZT'000	Share capital	Retained earnings	Total equity
Balance as at 1 January 2014	5,199,503	22,745,415	27,944,918
Profit and total comprehensive income for the nine-month period (unaudited)	-	5,485,744	5,485,744
Dividend payments (unaudited)	-	(6,800,000)	(6,800,000)
Balance as at 30 September 2014 (unaudited)	<u>5,199,503</u>	<u>21,431,159</u>	<u>26,630,662</u>
Balance as at 1 January 2015	5,199,503	24,183,279	29,382,782
Profit and total comprehensive income for the nine-month period (unaudited)	-	6,498,752	6,498,752
Dividend payments (unaudited)	-	(6,002,481)	(6,002,481)
Balance as at 30 September 2015 (unaudited)	<u>5,199,503</u>	<u>24,679,550</u>	<u>29,879,053</u>

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 30 September 2015, the Bank had 17 branches and 42 bank offices (31 December 2014: 17 branches and 72 bank offices).

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

As at 30 September 2015 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 2014, 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 2014.

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 25;
- loan impairment estimates – Note 12.

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 2014.

4 Net interest income

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Interest income		
Loans to customers	23,916,183	24,714,938
Cash and cash equivalents	6	16,369
	23,916,189	24,731,307
Interest expense		
Current accounts and deposits from customers	1,702,529	2,290,150
Other borrowed funds	1,204,269	2,302,429
Debt securities issued	1,018,021	916,428
Deposits and balances from banks	918,767	551,762
Subordinated loan	7,680	70,982
	4,851,266	6,131,751
	19,064,923	18,599,556

5 Fee and commission income

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Commission income from insurance	8,654,701	7,964,685
Contractual penalties from customers	2,689,504	1,815,975
Fees from retailers	693,838	675,865
Card operations	91,025	119,694
Transfer operations	14,525	12,133
Cash withdrawal	2,338	2,466
Other	84,609	312,693
	12,230,540	10,903,511

6 Fee and commission expense

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Commissions paid to partners	436,570	579,536
Card processing	42,874	37,992
Deposit insurance fund contributions	23,911	27,074
Settlements	14,874	16,363
Other	44,068	23,699
	562,297	684,664

7 Net gain on financial instruments at fair value through profit or loss

For the nine-month period ended 30 September 2015 the Bank recognised net gain on financial instruments at fair value through profit or loss on short-term currency swap operations concluded on Kazakhstan stock exchange in the amount of KZT 3,010,055 thousand (nine-month period ended 30 September 2014: net gain of KZT 459,260 thousand) and net gain on currency swap with the National Bank of the Republic of Kazakhstan in the amount of KZT 2,442,942 thousand (nine-month period ended 30 September 2014: nil).

8 Impairment losses

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Loans to customers	8,447,642	10,413,878
Other assets	(12,490)	15,842
	8,435,152	10,429,720

9 General administrative expenses

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Employee compensation and payroll related taxes	5,721,288	5,759,873
Depreciation and amortisation	1,191,239	986,380
Professional services	902,824	834,054
Occupancy	707,612	887,764
Collectors' services	563,440	443,185
Information technology	560,340	471,219
Telecommunication and postage	499,945	700,459
Taxes other than income tax	437,157	571,412
Advertising and marketing	282,066	442,193
Travel expenses	142,194	205,138
Other	243,805	468,829
	11,251,910	11,770,506

10 Income tax expense

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Current tax expense		
Current tax expense	1,589,137	1,546,368
Current tax expense underprovided/(overprovided) in prior periods	381,178	(167,249)
	1,970,315	1,379,119
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	638,584	249,075
Total income tax expense	2,608,899	1,628,194

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

Reconciliation of effective tax rate:

	Unaudited nine-month period ended 30 September 2015 KZT'000		Unaudited nine-month period ended 30 September 2014 KZT'000	
	KZT'000	%	KZT'000	%
Profit before income tax	9,107,651	100.0	7,113,938	100.0
Income tax at the applicable tax rate	1,821,530	20.0	1,422,788	20.0
Non-deductible costs	406,191	4.5	372,655	5.2
Underprovided/(overprovided) in prior periods	381,178	4.2	(167,249)	(2.4)
	2,608,899	28.6	1,628,194	22.9

11 Cash and cash equivalents

	Unaudited 30 September 2015 KZT'000	31 December 2014 KZT'000
Cash on hand	2,140,856	1,702,184
Nostro accounts with the NBRK	5,046,002	1,243,997
Nostro accounts with other banks		
- rated A- to A+	-	443,478
- rated BBB- to BBB+	3,120,012	10,688
- rated BB- to BB+	52,352	26,072
- rated below B+	26,513	19,320
	10,385,735	3,445,739

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 30 September 2015 the Bank had exposure towards two banking counterparties exceeding 10% of the Bank's equity with the gross value of KZT 8,113,264 thousand (31 December 2014: none).

12 Loans to customers

	Unaudited 30 September 2015 KZT'000	31 December 2014 KZT'000
Cash loans	74,534,721	77,823,504
POS loans	28,020,376	34,207,114
Corporate loans	1,516,987	-
Credit cards	1,440,334	1,898,318
Total loans	105,512,418	113,928,936
Impairment allowance	(12,407,816)	(12,727,977)
Net loans	93,104,602	101,200,959

Movements in the loan impairment allowance by classes of loans to customers for the nine-month period ended 30 September 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 nine-month period	10,477,012	2,087,839	163,126	12,727,977
Net charge	6,016,373	2,337,945	93,324	8,447,642
Net write offs	(7,534,913)	(1,121,230)	(111,660)	(8,767,803)
Balance at the end of the nine-month period	8,958,472	3,304,554	144,790	12,407,816

Movements in the loan impairment allowance by classes of loans to customers for the nine-month period ended 30 September 2014 were as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the nine-month period	7,748,626	2,380,116	41,058	10,169,800
Net charge	8,878,915	1,414,459	120,504	10,413,878
Net write-offs	(5,641,575)	(1,735,398)	(8,536)	(7,385,509)
Balance at the end of the nine-month period	10,985,966	2,059,177	153,026	13,198,169

12 Loans to customers, continued

(a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 30 September 2015:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans %
Loans to individuals and corporate loans				
- not overdue	86,017,465	(1,042,417)	84,975,048	1.2
- overdue less than 90 days	7,480,467	(3,124,818)	4,355,649	41.8
- overdue 90-360 days	12,014,486	(8,240,581)	3,773,905	68.6
Total loans to individuals and corporate loans	105,512,418	(12,407,816)	93,104,602	11.8

The following table provides information on the credit quality of the loans to customers as at 31 December 2014:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans %
Loans to individuals				
- not overdue	94,151,731	(1,125,186)	93,026,545	1.2
- overdue less than 90 days	7,708,121	(3,366,676)	4,341,445	43.7
- overdue 90-360 days	12,069,084	(8,236,115)	3,832,969	68.2
Total loans to individuals	113,928,936	(12,727,977)	101,200,959	11.2

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 30 September 2015 total impairment allowance to non-performing loans was 103% (31 December 2014: 105%).

Loans overdue for 360 days are written off.

(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 30 September 2015 would be KZT 931,046 thousand lower/higher (31 December 2014: KZT 1,012,010 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 30 September 2015, the Bank had no borrowers whose loan balances exceeded 10% of the Bank's equity (31 December 2014: none).

13 Property, equipment and intangible assets

	Unaudited	31 December
	30 September	2014
	2015	2014
	KZT'000	KZT'000
Acquisition cost	8,259,793	6,987,284
Accumulated depreciation and amortisation	(2,871,212)	(1,854,001)
Carrying amount	5,388,581	5,133,283

There were no capitalised borrowing costs related to the acquisition or construction of property and equipment during the nine-month period ended 30 September 2015 or for the year ended 31 December 2014.

14 Deposits and balances from banks

	Unaudited	31 December
	30 September	2014
	2015	2014
	KZT'000	KZT'000
Vostro accounts	232,814	30,973
Term deposits	9,107,133	3,403,302
	9,339,947	3,434,275

As at 30 September 2015 the Bank had one counterparty whose balances exceeded 10% of the Bank's equity and amounted to KZT 4,003,333 thousand (31 December 2014: none).

15 Current accounts and deposits from customers

	Unaudited	31 December
	30 September	2014
	2015	2014
	KZT'000	KZT'000
Current accounts and demand deposits		
- Retail	8,196,521	10,489,234
- Corporate	1,911,737	636,880
Term deposits		
- Retail	7,463,800	7,199,733
- Corporate	26,558,882	20,186,285
	44,130,940	38,512,132

As at 30 September 2015 the Bank had one customer whose balances exceeded 10% of the Bank's equity and amounted to KZT 4,099,076 thousand (31 December 2014: two customers whose balances amounted to KZT 13,564,606 thousand).

16 Debt securities issued

	<u>Maturity</u>	<u>Coupon rate, %</u>	<u>Unaudited 30 September 2015 KZT'000</u>	<u>31 December 2014 KZT'000</u>
Unsecured KZT denominated bonds of the 1 st issue program 1*	November 2016	8.5	7,136,835	6,924,157
Unsecured KZT denominated bonds of the 1 st issue program 2*	February 2019	9.5	6,711,907	6,847,072
			<u>13,848,742</u>	<u>13,771,229</u>

* Quoted on the Kazakhstan Stock Exchange.

17 Other borrowed funds

	<u>Issue date</u>	<u>Maturity date</u>	<u>Currency</u>	<u>Weighted- average effective interest rate, %*</u>	<u>Unaudited 30 September 2015 KZT'000</u>	<u>31 December 2014 KZT'000</u>
	various tranches issued in the period of	various tranches maturing in the period of				
Unsecured loans	15.10.2014	16.10.2015	KZT	15.2	2,896,977	4,872,383
Unsecured loans	14.11.2014- 11.12.2014	18.11.2015- 15.12.2015	USD	6.5	9,440,314	16,889,493
					<u>12,337,291</u>	<u>21,761,876</u>

*Weighted-average effective interest rate as at 30 September 2015

18 Equity

(a) Issued capital

As at 30 September 2015 the authorised share capital comprised 160,240 ordinary shares (31 December 2014: 160,240 ordinary shares) and issued and outstanding share capital comprised 34,890 ordinary shares (31 December 2014: 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 24,679,550 thousand (31 December 2014: KZT 24,183,279 thousand).

During the nine-month period ended 30 September 2015 dividends of KZT 6,002,481 thousand (KZT 172,040 per share) for the year ended 31 December 2014 were declared and paid in accordance with the decision of the Bank's sole shareholder (31 December 2014: KZT 6,800,000 thousand, KZT 194,898.3 per share).

19 Book value per share

The calculation of book value per share as at 30 September 2015 is based on number of outstanding ordinary shares of 34,890 (31 December 2014: 34,890) and net assets calculated in accordance with the Listing of Kazakhstan Stock Exchange as follows:

	Unaudited 30 September 2015 KZT'000	31 December 2014 KZT'000
Total assets	112,891,533	111,652,168
Intangible assets	(2,755,944)	(2,266,764)
Total liabilities	(83,012,480)	(82,269,386)
Net assets	27,123,109	27,116,018

The following table shows the book value per share calculations:

	Unaudited 30 September 2015	31 December 2014
Net assets, KZT'000	27,123,109	27,116,018
Outstanding number of ordinary shares at the end of the period	34,890	34,890
Book value per share, KZT	777,389	777,186

20 Earnings per share

The calculation of basic earnings per share for the nine-month periods ended 30 September 2015 and 2014 is based on the net profit for the nine-month period attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

	Unaudited nine-month period ended 30 September 2015	Unaudited nine-month period ended 30 September 2014
Net profit attributable to ordinary shareholders, KZT'000	6,498,752	5,485,744
Weighted average number of ordinary shares	34,890	34,890
Earnings per share, KZT	186,264	157,230

There are no potentially dilutive shares for the nine-month periods ended 30 September 2015 or 30 September 2014.

21 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 30 September 2015 and 31 December 2014, this minimum level of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk was 0.05 (31 December 2014: 0.05) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 0.075 (31 December 2014: 0.1). Starting from 1 January 2015 profit for the period is included in Tier 1 capital in accordance with amendments to the capital requirements set by the NBRK. The Bank was in compliance with the statutory capital requirements as at 30 September 2015 and 31 December 2014.

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

	30 September 2015 KZT'000	31 December 2014 KZT'000
Tier 1 capital		
Share capital	5,199,503	5,199,503
Retained earnings of prior years	18,180,798	15,945,415
Profit for the period	6,498,752	-
Intangible assets	(2,755,944)	(312,613)
Total tier 1 capital	27,123,109	20,832,305
Tier 2 capital		
Profit for the period	-	8,237,864
Subordinated loan	-	256,000
Total tier 2 capital	-	8,493,864
Total capital	27,123,109	29,326,169
Total credit risk-weighted assets	103,646,794	107,836,821
Total credit risk-weighted assets and liabilities, including market and operational risk	148,329,782	126,429,792
Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)	0.183	0.232
Total tier 1 capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital ratio)	0.183	0.165

22 Commitments

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

	30 September 2015 KZT'000	31 December 2014 KZT'000
Contracted amount		
Loan and credit line commitments	1,688,143	1,194,999
	1,688,143	1,194,999

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 30 September 2015 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank's equity (31 December 2014: none).

23 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 nine-month period ended 30 September 2015 KZT 634,495 thousand was recognized as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (nine-month period ended 30 September 2014: KZT 824,772 thousand).

As at 30 September 2015 the Bank reported KZT 1,300 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 2014: KZT 14,153 thousand).

24 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 nine-month periods ended 30 September 2015 and 2014 was as follows:

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Members of the Board of Directors	85,400	238,687
Members of the Management Board	219,489	178,256
	304,889	416,943

24 Related party transactions, continued

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

The outstanding balances and average interest rates as at 30 September 2015 and 31 December 2014 for transactions with members of the Board of Directors and the Management Board were as follows:

	Unaudited 30 September 2015 KZT'000	Average interest rate, %	31 December 2014 KZT'000	Average interest rate, %
Statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	21,798	0.005	9,959	1.76

Total amounts included in profit or loss in relation to transactions with members of the Board of Directors and the Management Board for the nine-month periods ended 30 September 2015 and 2014 were as follows:

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Statement of profit or loss and other comprehensive income		
Interest expense	103	589
	103	589

(c) Transactions with the parent

As at 30 September 2015 and 31 December 2014 transactions with the parent included in the statement of financial position were as follows:

	Unaudited 30 September 2015 KZT'000	Average interest rate, %	31 December 2014 KZT'000	Average interest rate, %
Statement of financial position				
ASSETS				
Cash and cash equivalents				
-In USD	98	-	66	-
-In EUR	96	-	70	-
-In RUB	33	-	25	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	209	-	209	-
Other borrowed funds				
-In USD	-	-	8,618,651	9.27

24 Related party transactions, continued

(c) Transactions with the parent, continued

During the nine-month periods ended 30 September 2015 and 2014 transactions with the parent included in the statement of profit or loss and other comprehensive income were as follows:

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Statement of profit or loss and other comprehensive income		
Interest expense		
Other borrowed funds		
-In KZT	-	841,979
-In USD	239,295	-
	<u>239,295</u>	<u>841,979</u>
Fee and commission expense		
Other fee and commission expense		
-In KZT	18,445	-
	<u>18,445</u>	<u>-</u>

(d) Transactions with entities controlled by the ultimate controlling owner

As at 30 September 2015 and 31 December 2014 transactions with entities controlled by the ultimate controlling owner included in the statement of financial position were as follows:

Statement of financial position	Unaudited 30 September 2015 KZT'000	Average interest rate, %	31 December 2014 KZT'000	Average interest rate, %
ASSETS				
Property, equipment and intangible assets				
-In KZT	2,014,373	-	1,687,797	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	232,605	-	2,428,283	14.4
Current accounts and deposits from customers				
-In KZT	641,385	8.0	615,901	8.0
Subordinated loan				
-In KZT	-	-	640,284	16.0
Other borrowed funds				
-In KZT	2,896,977	16.0	4,872,383	15.5
-In USD	9,440,314	6.5	8,270,842	6.5
Other financial liabilities				
-In KZT	149,071	-	70,098	-

24 Related party transactions, continued

(d) Transactions with entities controlled by the ultimate controlling owner, continued

During the nine-month periods ended 30 September 2015 and 2014 transactions with entities controlled by the ultimate controlling owner included in the statement of profit or loss and other comprehensive income were as follows:

	Unaudited nine-month period ended 30 September 2015 KZT'000	Unaudited nine-month period ended 30 September 2014 KZT'000
Statement of profit or loss and other comprehensive income		
Interest expense		
Deposits and balances from banks		
-In KZT	239,200	544,627
-In USD	2,346	-
Current accounts and deposits from customers		
-In KZT	37,372	35,263
Other borrowed funds		
-In KZT	552,592	1,460,450
-In USD	412,383	-
Subordinated loan		
-In KZT	7,680	70,982
	<u>1,251,573</u>	<u>2,111,322</u>
Fee and commission expense		
Other fee and commission expense		
-In KZT	8	-
General administrative expenses		
General administrative expenses	<u>1,168,559</u>	<u>929,666</u>

25 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2015:

KZT'000	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash equivalents	-	10,385,735	-	10,385,735	10,385,735
Loans and advances to banks	-	2,371	-	2,371	2,371
Financial instruments at fair value through profit and loss	2,735,090	-	-	2,735,090	2,735,090
Loans to customers	-	93,104,602	-	93,104,602	93,104,602
Other financial assets	-	447,564	-	447,564	447,564
	<u>2,735,090</u>	<u>103,940,272</u>	<u>-</u>	<u>106,675,362</u>	<u>106,675,362</u>
Deposits and balances from banks	-	-	9,339,947	9,339,947	9,106,728
Current accounts and deposits from customers	-	-	44,130,940	44,130,940	44,130,940
Debt securities issued	-	-	13,848,742	13,848,742	12,803,342
Other borrowed funds	-	-	12,337,291	12,337,291	12,300,621
Other financial liabilities	-	-	1,340,369	1,340,369	1,340,369
	<u>-</u>	<u>-</u>	<u>80,997,289</u>	<u>80,997,289</u>	<u>79,682,000</u>

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

(a) Accounting classifications and fair values, continued

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

KZT'000	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash equivalents	-	1,743,555	-	1,743,555	1,743,555
Loans and advances to banks	-	3,184	-	3,184	3,184
Financial instruments at fair value through profit and loss	292,148	-	-	292,148	292,148
Loans to customers	-	101,200,959	-	101,200,959	101,200,959
Other financial assets	-	776,106	-	776,106	776,106
	292,148	103,723,804	-	104,015,952	104,015,952
Deposits and balances from banks	-	-	3,434,275	3,434,275	3,359,897
Current accounts and deposits from customers	-	-	38,512,132	38,512,132	38,512,132
Debt securities issued	-	-	13,771,229	13,771,229	12,886,911
Subordinated loan	-	-	640,284	640,284	640,284
Other borrowed funds	-	-	21,761,876	21,761,876	22,540,196
Other financial liabilities	-	-	3,004,429	3,004,429	3,004,429
	-	-	81,124,225	81,124,225	80,943,849

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.

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.

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

(b) Fair value hierarchy, continued

- 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.

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.

The table below shows financial instruments measured at fair value at 30 September 2015 and 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

KZT'000	30 September	31 December
	2015	2014
	Level 3	Level 3
Financial instruments at fair value through profit or loss		
- Derivative assets	2,735,090	292,148
	2,735,090	292,148

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

(b) Fair value hierarchy, continued

The following table shows a reconciliation for the nine-month ended 30 September 2015 for fair value measurements in Level 3 of the fair value hierarchy:

KZT'000	Level 3
	Financial instruments at fair value through profit or loss
	Derivative assets
Balance at beginning of the period	292,148
Total gains or losses in profit or loss (Note 7)	2,442,942
Balance at end of the period	2,735,090

Although the Bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the estimated discount rate applied to KZT cash flows by 1% fall or rise, would have the following effects as at 30 September 2015:

KZT'000	Effect on profit or loss	
	Favourable	Unfavourable
Financial instruments at fair value through profit or loss		
- Derivative assets	4,357	(4,399)

The fair value of financial instruments that are not measured at fair value as at 30 September 2015 and 31 December 2014 are categorised into the level 2 in the fair value hierarchy.