SB JSC “Bank Home Credit”

Financial Statements
for the year ended 31 December 2015

Contents

«КПМГ Аудит» жауапкершілігі
шектеулі серіктестік
050051 Алматы, Достық д-лы 180,
Тел./факс 8 (727) 298-08-98, 298-07-08

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

Independent Auditors' Report

To the Board of Directors and Management Board of SB JSC "Bank Home Credit"

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Yelena Kim
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. МФ-0000042 of 8 August 2011

KPMG Audit LLC

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

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

15 February 2016

	Note	2015 KZT'000	2014 KZT'000
Interest income	4	32,327,889	33,008,030
Interest expense	4	(6,928,157)	(7,934,454)
Net interest income		**25,399,732**	**25,073,576**
Fee and commission income	5	16,546,124	15,568,843
Fee and commission expense	6	(1,230,197)	(1,209,216)
Net fee and commission income		**15,315,927**	**14,359,627**
Net gain on financial instruments at fair value through profit or loss	7	7,457,303	299,548
Foreign exchange loss	8	(10,703,746)	(128,649)
Other operating (loss)/income		(8,961)	126,332
Operating income		**37,460,255**	**39,730,434**
Impairment losses	9	(9,878,767)	(13,602,288)
General administrative expenses	10	(15,646,416)	(15,887,963)
Profit before income tax		**11,935,072**	**10,240,183**
Income tax expense	11	(3,448,930)	(2,002,319)
Profit and total comprehensive income for the year		**8,486,142**	**8,237,864**
Earnings per share, in KZT (basic and diluted)	23	243,226	236,110

The financial statements as set out on pages 5 to 49 were approved by the Board of Directors on 15 February 2016 and were signed on its behalf by:

Ondrej Kubik
Chairman of the Board

Gaukhar Massangaliyeva
Chief Accountant

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

	Note	2015 KZT’000	2014 KZT’000
ASSETS			
Cash and cash equivalents	12	13,190,286	3,445,739
Loans and advances to banks		1,952	3,184
Financial instruments at fair value through profit or loss		-	292,148
Loans to customers	13	96,629,836	101,200,959
Current tax assets		73,961	136,909
Property, equipment and intangible assets	14	5,880,416	5,133,283
Other assets	15	1,656,278	1,439,946
Total assets		**117,432,729**	**111,652,168**
LIABILITIES			
Deposits and balances from banks	16	23,938,458	3,434,275
Current accounts and deposits from customers	17	44,301,944	38,512,132
Debt securities issued	18	13,891,769	13,771,229
Subordinated borrowings	19	-	640,284
Other borrowed funds	19	-	21,761,876
Deferred tax liability	11	155,210	119,250
Other liabilities	20	3,278,905	4,030,340
Total liabilities		**85,566,286**	**82,269,386**
EQUITY			
Share capital	21	5,199,503	5,199,503
Retained earnings	21	26,666,940	24,183,279
Total equity		**31,866,443**	**29,382,782**
Total liabilities and equity		**117,432,729**	**111,652,168**
Book value per share, in KZT	22	820,015	777,186

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

	2015 KZT'000	2014 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	31,336,748	31,887,117
Interest payments	(6,749,655)	(7,929,857)
Fee and commission receipts	16,520,965	15,332,122
Fee and commission payments	(1,207,992)	(1,102,420)
Net receipts/(payments) from financial instruments at fair value through profit or loss	7,749,451	(32,767)
Net payments from foreign exchange transactions	(5,083,484)	(34,335)
Other income (payments)/receipts, net	(8,961)	126,332
General administrative expenses	(13,660,111)	(13,814,174)
(Increase)/decrease in operating assets		
Financial instruments at fair value through profit or loss	-	(131,541)
Loans and advances to banks	1,232	(690)
Loans to customers	(5,659,459)	(11,123,370)
Other assets	(1,511)	(5,431)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	20,210,202	(4,301,482)
Current accounts and deposits from customers	(4,727,481)	(8,685,819)
Other liabilities	3,576	(147,381)
Net cash flow from operating activities before income tax paid	**38,723,520**	**36,304**
Income tax paid	(3,350,022)	(1,912,811)
Cash flows from/(used in) operations	**35,373,498**	**(1,876,507)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(2,530,545)	(2,574,041)
Proceeds from sale of property and equipment	50,533	1,858
Cash flows used in investing activities	**(2,480,012)**	**(2,572,183)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	(640,000)	-
Receipts of other borrowed funds	7,957,050	30,776,200
Repayment of other borrowed funds	(29,224,008)	(31,854,460)
Receipts from the issue of debt securities	-	6,570,811
Dividends paid	(6,002,481)	(6,800,000)
Cash flows used in financing activities	**(27,909,439)**	**(1,307,449)**
Net increase/(decrease) in cash and cash equivalents	**4,984,047**	**(5,756,139)**
Effect of changes in exchange rates on cash and cash equivalents	4,760,500	558,763
Cash and cash equivalents as at the beginning of the year	3,445,739	8,643,115
Cash and cash equivalents as at the end of the year (note 12)	**13,190,286**	**3,445,739**

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

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 year	-	8,237,864	8,237,864
Dividends paid	-	(6,800,000)	(6,800,000)
Balance as at 31 December 2014	**5,199,503**	**24,183,279**	**29,382,782**
Balance as at 1 January 2015	5,199,503	24,183,279	29,382,782
Profit and total comprehensive income for the year	-	8,486,142	8,486,142
Dividends paid	-	(6,002,481)	(6,002,481)
Balance as at 31 December 2015	**5,199,503**	**26,666,940**	**31,866,443**

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

1 Background

(a) 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 December 2015, the Bank had 17 branches and 41 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 31 December 2015 and 2014 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 are being developed and are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Kazakhstan. In addition, significant devaluation of tenge and drop of the oil prices have increased the risk of uncertainty in business environment. The financial statements reflect 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

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

(b) Basis of measurement

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

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

2 Basis of preparation, continued

(d) Use of estimates and judgments

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

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

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

- fee and commission income – Note 3(j);
- financial instruments at fair value through profit or loss – Notes 7 and 31;
- loan impairment estimates – Note 13.

3 Significant accounting policies

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

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the National Bank of the Republic of Kazakhstan ("the NBRK") and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3 Significant accounting policies, continued

(c) Financial instruments

(i) Classification

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

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

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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

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

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

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(i) Classification, continued

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

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

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

(ii) Recognition

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

(iii) Measurement

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

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

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

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

(iv) Amortised cost

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(v) Fair value measurement principles

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

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

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

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

(vi) Gains and losses on subsequent measurement

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

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

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

3 Significant accounting policies, continued

(c) Financial instruments, continued

(vii) Derecognition

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

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

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

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

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

The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectable.

(viii) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, commodities and stock markets, and any combinations of these instruments. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(ix) Offsetting

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

3 Significant accounting policies, continued

(d) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

Buildings	50 years;
Computers	2-5 years;
Vehicles	7 years;
Leasehold improvements	7 years;
Other assets	2-7 years.

(e) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 2-7 years.

(f) Impairment

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

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

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

3 Significant accounting policies, continued

(f) Impairment, continued

(i) Financial assets carried at amortised cost

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

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

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

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

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

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

(ii) Non financial assets

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

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

3 Significant accounting policies, continued

(g) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except for the followings:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss;
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments;
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument;
- commitments to provide a loan at a below-market interest rate.

(h) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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

(i) Taxation

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

3 Significant accounting policies, continued

(i) Taxation, continued

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

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

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

(j) Income and expense recognition

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

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

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided. The Bank acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Bank from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Bank’s contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Bank does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Bank provides the agency service to the insurance company.

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

(k) Segment reporting

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

(l) Comparative information

Prior period reclassification

During the preparation of the Bank’s financial statements for the year ended 31 December 2015, management made certain reclassifications affecting the corresponding figures to conform to the presentation of the financial statements for the year ended 31 December 2015.

3 Significant accounting policies, continued

(l) Comparative information, continued

Prior period reclassification, continued

In the statement of profit or loss and other comprehensive income for the year ended 31 December 2014 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 313,773 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:

KZT'000	As reclassified	Effect of reclassifications	As previously reported
Statement of profit or loss and other comprehensive income for the year ended 31 December 2014			
Fee and commission expense	(1,209,216)	(313,773)	(895,443)
Other general administrative expenses	(15,887,963)	313,773	(16,201,736)
Statement of cash flows for the year ended 31 December 2014			
Fee and commission payments	(1,102,420)	(313,773)	(788,647)
General administrative expenses	(13,814,174)	313,773	(14,127,947)

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

(m) New standards and interpretations not yet adopted

The following new standards, amendments to standards, and interpretations are not yet effective as at 31 December 2015, and are not applied in preparing these financial statements. The Bank plans to adopt these pronouncements when they become effective.

- IFRS 9 *Financial Instruments* is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalized and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment. The Bank recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the financial statements. The Bank has not analysed the impact of these changes yet. The Bank does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.
- *Various Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2015 KZT'000	2014 KZT'000
Interest income		
Loans to customers	32,327,826	32,991,629
Cash and cash equivalents	63	16,401
	32,327,889	**33,008,030**
Interest expense		
Current accounts and deposits from customers	2,410,527	2,968,212
Deposits and balances from banks	1,831,129	728,482
Debt securities issued	1,358,548	1,254,044
Other borrowed funds	1,320,273	2,886,565
Subordinated borrowings	7,680	97,151
	6,928,157	**7,934,454**
	25,399,732	**25,073,576**

Included within various line items under interest income in 2015 is a total of KZT 1,680,422 thousand (2014: KZT 1,887,724 thousand) accrued on impaired loans to customers.

5 Fee and commission income

	2015 KZT'000	2014 KZT'000
Commission income from insurance	11,539,126	11,441,905
Contractual penalties from customers	3,726,284	2,519,222
Fees from retailers	1,031,335	989,407
Cards' operations	122,526	150,291
Transfer operations	23,069	16,298
Cash withdrawal	2,965	3,522
Other	100,819	448,198
	16,546,124	**15,568,843**

6 Fee and commission expense

	2015 KZT'000	2014 KZT'000
Commissions paid to partners	582,451	745,929
Commissions paid for verification services	485,464	313,773
Card processing	66,437	54,228
Deposit insurance fund contributions	33,990	35,001
Settlements	19,645	21,670
Other	42,210	38,615
	1,230,197	**1,209,216**

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

At 31 December 2014, financial instruments at fair value through profit or loss included a 1-year currency swap agreement signed with the NBRK in 2014, under which the Bank should deliver KZT 5,427,300 thousand in 2015 in exchange for USD 30,000 thousand. Under these agreements the Bank prepaid a premium of KZT 162,819 thousand, which equates to 3% of the principal amount at inception. As at 31 December 2014 the fair value of the swaps amounted to KZT 292,148 thousand.

Included in net gain on financial instruments at fair value through profit or loss for the year ended 31 December 2015 is a total KZT 2,943,652 thousand recognised on the 1-year currency swaps with the NBRK which matured in November 2015 (2014: KZT 292,148 thousand). KZT 4,513,651 thousand of net gain on financial instruments at fair value through profit or loss for the year ended 31 December 2015 represents income on overnight currency swaps contracted with the NBRK in 2015 (2014: KZT 7,400 thousand).

8 Net foreign exchange loss

	2015 KZT’000	2014 KZT’000
Translation differences, net	(10,708,938)	(98,190)
Dealing, net	5,192	(30,459)
	(10,703,746)	**(128,649)**

9 Impairment losses

	2015 KZT’000	2014 KZT’000
Loans to customers	9,883,555	13,537,381
Other assets	(4,788)	64,907
	9,878,767	**13,602,288**

10 General administrative expenses

	2015 KZT’000	2014 KZT’000
Employee compensation and payroll related taxes	8,255,305	7,972,626
Depreciation and amortisation	1,593,039	1,453,808
Occupancy	947,857	1,146,961
Information technology	918,769	631,236
Professional services	866,929	751,020
Collectors’ services	812,607	620,670
Telecommunication and postage	678,160	898,328
Taxes other than income tax	602,853	739,540
Advertising and marketing	426,852	756,526
Travel expenses	192,723	269,090
Other	351,322	648,158
	15,646,416	**15,887,963**

11 Income tax expense

	2015 KZT’000	2014 KZT’000
Current tax expense		
Current year tax expense	3,031,792	1,975,162
Current tax expense underprovided/(overprovided) in prior years	381,178	(167,249)
	3,412,970	**1,807,913**
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	35,960	194,406
Total income tax expense	**3,448,930**	**2,002,319**

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

Reconciliation of effective tax rate:

	2015 KZT’000	%	2014 KZT’000	%
Profit before income tax	**11,935,072**	**100.0**	**10,240,183**	**100.0**
Income tax at the applicable tax rate	2,387,014	20.0	2,048,037	20.0
Non-deductible costs	680,738	5.7	121,531	1.2
Underprovided/(overprovided) in prior years	381,178	3.2	(167,249)	(1.6)
	3,448,930	**28.9**	**2,002,319**	**19.6**

11 Income tax expense, continued

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2015 and 31 December 2014. These deferred tax liabilities are recognised in these financial statements.

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

Movements in temporary differences in 2015 and 2014 are presented below.

2015 KZT'000	**Balance 1 January 2015**	**Recognised in profit or loss**	**Balance 31 December 2015**
Property, equipment and intangible assets	(123,721)	(167,276)	(290,997)
Other assets	(129,729)	30,132	(99,597)
Deposits and balances from banks	-	6,160	6,160
Other liabilities	134,200	95,024	229,224
	(119,250)	**(35,960)**	**(155,210)**

2014 KZT'000	**Balance 1 January 2014**	**Recognised in profit or loss**	**Balance 31 December 2014**
Property, equipment and intangible assets	(79,437)	(44,284)	(123,721)
Other assets	(220,872)	91,143	(129,729)
Deposits and balances from banks	172,630	(172,630)	-
Current accounts and deposits from customers	60,245	(60,245)	-
Debt securities issued	18,181	(18,181)	-
Subordinated borrowings	34	(34)	-
Other liabilities	124,375	9,825	134,200
	75,156	**(194,406)**	**(119,250)**

12 Cash and cash equivalents

	2015 KZT'000	**2014 KZT'000**
Cash on hand	2,296,857	1,702,184
Nostro accounts with the NBRK	5,950,930	1,243,997
Nostro accounts with other banks		
- rated A- to A+	-	443,478
- rated from BBB- to BBB+	4,835,277	10,688
- rated from BB- to BB+	68,379	26,072
- rated below B+	38,843	19,320
	13,190,286	**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 31 December 2015 the Bank had exposure towards two banking counterparties exceeding 10% of the Bank's equity with the gross value of KZT 10,683,127 thousand (31 December 2014: nil).

12 Cash and cash equivalents, continued

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 December 2015, the minimum reserve is KZT 1,410,438 thousand (31 December 2014: KZT 1,395,921 thousand).

13 Loans to customers

	2015 KZT'000	2014 KZT'000
Loans to individuals		
Cash loans	75,329,100	77,823,504
POS loans	31,127,604	34,207,114
Credit cards	1,416,467	1,898,318
Total loans to individuals	**107,873,171**	**113,928,936**
Impairment allowance	(11,243,335)	(12,727,977)
Net loans to individuals	**96,629,836**	**101,200,959**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2015 are as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Collatera-lised loans KZT'000	Total KZT'000
Balance at the beginning of the year	10,477,013	2,087,839	163,125	-	12,727,977
Net charge	6,937,245	2,838,767	113,388	(5,845)	9,883,555
Net write-offs	(9,398,886)	(1,830,475)	(144,681)	5,845	(11,368,197)
Balance at the end of the year	**8,015,372**	**3,096,131**	**131,832**	**-**	**11,243,335**

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2014 are as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the year	7,748,626	2,380,116	41,058	10,169,800
Net charge	11,300,493	2,079,499	157,389	13,537,381
Net write-offs	(8,572,107)	(2,371,776)	(35,321)	(10,979,204)
Balance at the end of the year	**10,477,012**	**2,087,839**	**163,126**	**12,727,977**

13 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 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	**107,873,171**	**(11,243,335)**	**96,629,836**	**10.42**

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	1.20
- overdue less than 90 days	7,708,121	(3,366,676)	4,341,445	43.68
- overdue 90-360 days	12,069,084	(8,236,115)	3,832,969	68.24
Total loans to individuals	**113,928,936**	**(12,727,977)**	**101,200,959**	**11.17**

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 31 December 2015 total impairment allowance to non-performing loans is 101% (31 December 2014: 105%).

Loans overdue 360 days are written off.

(b) Key assumptions and judgments for estimating loan impairment

The Bank estimates the impairment on loans to customers in accordance with the accounting policy as described in Note 3(f)(i). The key assumptions used in estimating impairment losses for the current year are as follows:

- loss migration rates are constant and can be estimated based on the historical loss migration pattern for the past twelve months;

- unsecured loans which borrowers are unable to repay in full can be partially recovered through further collection actions for 23%-28% of the loan's outstanding principal balances.

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 December 2015 would be KZT 966,298 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 31 December 2015, the Bank had no borrowers whose loan balances exceed 10% of the Bank's equity (31 December 2014: none).

(e) Loan maturities

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

14 Property, equipment and intangible assets

KZT'000	Land and buildings	Computers	Vehicles	Leasehold improvements	Other assets	Intangible assets	Equipment for installation	Total
Cost								
Balance at 1 January 2015	488,900	1,678,720	149,057	711,200	847,936	2,951,168	160,303	6,987,284
Additions	-	6,938	25,431	76,344	20,038	1,595,088	683,518	2,407,357
Disposals	-	(406,768)	-	(78,345)	(96,784)	(83,378)	(48,103)	(713,378)
Transfers	510	308,847	-	41,033	86,505	202,089	(638,984)	-
At 31 December 2015	**489,410**	**1,587,737**	**174,488**	**750,232**	**857,695**	**4,664,967**	**156,734**	**8,681,263**
Depreciation and amortisation								
Balance at 1 January 2015	(11,673)	(734,489)	(49,703)	(172,910)	(200,822)	(684,404)	-	(1,854,001)
Depreciation and amortisation for the year	(9,377)	(428,011)	(23,439)	(161,578)	(162,812)	(807,822)	-	(1,593,039)
Disposals	-	399,605	-	77,618	85,591	83,379	-	646,193
Balance at 31 December 2015	**(21,050)**	**(762,895)**	**(73,142)**	**(256,870)**	**(278,043)**	**(1,408,847)**	**-**	**(2,800,847)**
Carrying amounts at 31 December 2015	**468,360**	**824,842**	**101,346**	**493,362**	**579,652**	**3,256,120**	**156,734**	**5,880,416**
Cost								
Balance at 1 January 2014	487,485	1,596,967	141,303	687,298	796,384	1,688,349	133,945	5,531,731
Additions	1,415	107,587	24,554	251,795	126,001	1,875,710	334,642	2,721,704
Disposals	-	(25,834)	(16,800)	(227,893)	(74,449)	(612,891)	(308,284)	(1,266,151)
At 31 December 2014	**488,900**	**1,678,720**	**149,057**	**711,200**	**847,936**	**2,951,168**	**160,303**	**6,987,284**
Depreciation and amortisation								
Balance at 1 January 2014	(2,303)	(507,568)	(34,472)	(92,852)	(285,866)	(225,768)	-	(1,148,829)
Depreciation and amortisation for the year	(9,370)	(483,498)	(22,578)	(281,778)	(60,942)	(595,642)	-	(1,453,808)
Disposals	-	213,687	7,348	201,720	188,875	137,006	-	748,636
Balance at 31 December 2014	**(11,673)**	**(777,379)**	**(49,702)**	**(172,910)**	**(157,933)**	**(684,404)**	**-**	**(1,854,001)**
Carrying amounts at 31 December 2014	**477,227**	**901,341**	**99,355**	**538,290**	**690,003**	**2,266,764**	**160,303**	**5,133,283**

There were no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2015 (2014: nil).

15 Other assets

	2015 KZT'000	2014 KZT'000
Receivables from retailer fees	925,342	776,106
Total other financial assets	**925,342**	**776,106**
Prepayment of taxes other than income tax	238,739	102,763
Prepayments	176,539	387,912
Receivables from employees	157,980	90,155
Inventory	155,457	83,130
Other	5,457	5,759
Impairment allowance	(3,236)	(5,879)
Total other non-financial assets	**730,936**	**663,840**
Total other assets	**1,656,278**	**1,439,946**

Analysis of movements in the impairment allowance

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

	2015 KZT'000	2014 KZT'000
Balance at the beginning of the year	5,879	15,516
Net (recovery)/charge	(4,788)	64,907
Net write-offs	2,145	(74,544)
Balance at the end of the year	**3,236**	**5,879**

As at 31 December 2015 the Bank had gross overdue receivables of KZT 4,213 thousand (31 December 2014: KZT 8,331 thousand) included in other assets.

16 Deposits and balances from banks

	2015 KZT'000	2014 KZT'000
Vostro accounts	34,975	30,973
Term deposits	23,903,483	3,403,302
	23,938,458	**3,434,275**

As at 31 December 2015 the Bank had one counterparty, which is a related party of the Bank (note 30(c)), whose balances exceeded 10% of the Bank's equity and amounted to KZT 21,836,815 thousand (31 December 2014: none).

17 Current accounts and deposits from customers

	2015 KZT'000	2014 KZT'000
Current accounts and demand deposits		
- Retail	8,982,845	10,489,234
- Corporate	3,736,131	636,880
Term deposits		
- Retail	9,100,456	7,199,733
- Corporate	22,482,512	20,186,285
	44,301,944	**38,512,132**

As at 31 December 2015, the Bank had one customer (31 December 2014: two customers), whose balances exceeded 10% of the Bank's equity. As at 31 December 2015 these balances amounted to KZT 3,400,300 thousand (31 December 2014: KZT 13,564,606 thousand).

18 Debt securities issued

	Maturity	Coupon rate, %	2015 KZT’000	2014 KZT’000
Unsecured KZT denominated bonds of the 1st issue program 1*	November 2016	8.5	7,009,921	6,924,157
Unsecured KZT denominated bonds of the 1st issue program 2*	February 2019	9.5	6,881,848	6,847,072
			13,891,769	**13,771,229**

* Quoted on the Kazakhstan Stock Exchange

19 Subordinated borrowings and other borrowed funds

	Issue date	Maturity date	Currency	Weighted-average effective interest rate, %	2015 KZT’000	2014 KZT’000
Subordinated borrowings from related party	29/06/2009	30/12/2016	KZT	16.00	**-**	**640,284**
Other borrowed funds						
Unsecured loans	various tranches issued in the period of 29/09/2014-15/10/2014	various tranches maturing in the period of 30/09/2015-16/10/2015	KZT	14.77	-	4,872,383
Unsecured loans	31/10/2014-19/12/2014	10/03/2015-15/12/2015	USD	7.83	-	16,889,493
					-	**21,761,876**

In 2015 the Bank repaid the outstanding amount of subordinated borrowings before their maturity to Home Credit B.V. No fee on early repayment of the subordinated borrowings occurred.

In 2015 the Bank repaid USD 132,000 thousand of other borrowed funds to related parties before their maturity. The Bank also paid fee on early repayment in the amount of KZT 18,445 thousand (note 30(c)). The remaining other borrowed funds were repaid in accordance with the contractual terms.

20 Other liabilities

	2015 KZT’000	2014 KZT’000
Payables to partners	959,034	2,290,822
Payables for services	823,107	713,607
Total other financial liabilities	**1,782,141**	**3,004,429**
Payables to employees	679,967	475,654
Vacation reserve	410,424	258,853
Taxes payable other than income tax	404,985	281,550
Other non-financial liabilities	1,388	9,854
Total other non-financial liabilities	**1,496,764**	**1,025,911**
Total other liabilities	**3,278,905**	**4,030,340**

Payables to partners represent the Bank’s liabilities to organisations which either sell the goods on bank credit or deliver financial means to the Bank’s customers.

21 Equity

(a) Issued capital

As at 31 December 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 26,666,940 thousand (31 December 2014: KZT 24,183,279 thousand).

At the reporting date, the following dividends were declared and paid as follows:

	2015 KZT'000	**2014 KZT'000**
KZT 172,040.2 per ordinary share (2014: KZT 194,898.3)	6,002,481	6,800,000

(c) Statutory reserve capital

In accordance with Resolution of the NBRK #137 dated 27 May 2013 On Approval of Rules on Forming Dynamic Reserves by Second-Tier Banks and Establishment of Minimum Size of Dynamic Reserves and Expected Loss, the Bank should establish a dynamic reserve calculated using a formula determined in the Resolution, and the value should not be less than zero.

In 2014, the dynamic reserve was temporarily fixed by the NBRK on the level recognised at 31 December 2013. As at 31 December 2015 and 2014 the non-distributable dynamic reserve is nil.

22 Book value per share

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

	2015 KZT'000	**2014 KZT'000**
Total assets	117,432,729	111,652,168
Intangible assets	(3,256,120)	(2,266,764)
Total liabilities	(85,566,286)	(82,269,386)
Net assets	**28,610,323**	**27,116,018**

The following table shows the book value per share calculations as at 31 December 2015 and 31 December 2014:

	2015	**2014**
Net assets, KZT'000	28,610,323	27,116,018
Outstanding number of ordinary shares at the end of the year, share	34,890	34,890
Book value per share, in KZT	**820,015**	**777,186**

23 Earnings per share

The calculation of basic earnings per share as at 31 December 2015 is based on the net profit for the year attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

	2015	2014
Net profit attributable to ordinary shareholders, KZT'000	8,486,142	8,237,864
Weighted average number of ordinary shares, share	34,890	34,890
Earnings per share, in KZT	**243,226**	**236,110**

There are no potentially dilutive shares for the year ended 31 December 2015 or 31 December 2014.

24 Analysis by segment

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

25 Risk management

Risk management is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

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

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

The Bank's Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Credit and Collection Department is responsible for the overall risk management, ensuring together with the Head of Legal and Head of Compliance, the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. The Head of the Credit and Collection Department reports directly to the Chairman of the Board and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO).

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

25 Risk management, continued

(b) Market risk

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

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

Overall authority for market risk is vested in the Management Board, which is chaired by the Chairman of the Management Board. Market risk limits are approved by the Board of Directors based on recommendations of the Credit and Collection Department .

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

(i) Interest rate risk

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

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Management Board is the monitoring body for compliance with these limits and is assisted by the Financial markets unit in its day-to-day monitoring activities. A summary of the interest gap position for major interest-bearing financial instruments is as follows:

KZT’000	Less than 3 months	3-6 months	6-12 months	1-5 years	Carrying amount
31 December 2015					
Interest-earning financial assets					
Loans and advances to banks	-	-	1,952	-	1,952
Loans to customers	28,987,478	17,916,441	24,006,807	25,719,110	96,629,836
	28,987,478	**17,916,441**	**24,008,759**	**25,719,110**	**96,631,788**
Interest-bearing financial liabilities					
Deposits and balances from banks	16,960,225	-	6,943,258	-	23,903,483
Term deposits from customers	7,469,196	5,355,318	13,815,189	4,943,265	31,582,968
Debt securities issued	248,271	90,903	6,919,019	6,633,576	13,891,769
	24,677,692	**5,446,221**	**27,677,466**	**11,576,841**	**69,378,220**
Net position as at 31 December 2015	**4,309,786**	**12,470,220**	**(3,668,707)**	**14,142,269**	**27,253,568**

25 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

KZT’000	Less than 3 months	3-6 months	6-12 months	1-5 years	Carrying amount
31 December 2014					
Interest-earning financial assets					
Loans to customers	29,941,470	19,330,607	25,980,675	25,948,207	101,200,959
	29,941,470	**19,330,607**	**25,980,675**	**25,948,207**	**101,200,959**
Interest-bearing financial liabilities					
Deposits and balances from banks	458,002	-	2,945,300	-	3,403,302
Term deposits from customers	3,464,495	9,696,368	9,535,540	4,689,615	27,386,018
Debt securities issued	248,272	90,903	-	13,432,054	13,771,229
Subordinated borrowings	640,284	-	-	-	640,284
Other borrowed funds	4,032,176	4,586,475	13,143,225	-	21,761,876
	8,843,229	**14,373,746**	**25,624,065**	**18,121,669**	**66,962,709**
Net position as at 31 December 2014	**21,098,241**	**4,956,861**	**356,610**	**7,826,538**	**34,238,250**

Interest rate sensitivity analysis

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

	2015 KZT’000	2014 KZT’000
100 bp parallel fall	(85,182)	(173,185)
100 bp parallel rise	85,182	173,185

25 Risk management, continued

(b) Market risk, continued

(ii) Currency risk

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Bank hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

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

	KZT	USD	Other currencies	Total
	KZT'000	KZT'000	KZT'000	KZT'000
ASSETS				
Cash and cash equivalents	2,277,656	10,795,724	116,906	13,190,286
Loans and advances to banks	1,952	-	-	1,952
Loans to customers	96,629,836	-	-	96,629,836
Other financial assets	623,641	158,529	143,172	925,342
Total assets	**99,533,085**	**10,954,253**	**260,078**	**110,747,416**
LIABILITIES				
Deposits and balances from banks	23,938,458	-	-	23,938,458
Current accounts and deposits from customers	23,566,683	20,569,192	166,069	44,301,944
Debt securities issued	13,891,769	-	-	13,891,769
Other financial liabilities	1,352,390	79,180	350,571	1,782,141
Total liabilities	**62,749,300**	**20,648,372**	**516,640**	**83,914,312**
Net position	**36,783,785**	**(9,694,119)**	**(256,562)**	**26,833,104**
Effect of derivatives held for risk management	**(6,702,375)**	**6,630,195**	**-**	**(72,180)**
Net position after derivatives held for risk management purposes	**30,081,410**	**(3,063,924)**	**(256,562)**	**26,760,924**

25 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

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

	KZT	**USD**	**Other currencies**	**Total**
	KZT'000	**KZT'000**	**KZT'000**	**KZT'000**
ASSETS				
Cash and cash equivalents	2,208,132	1,053,212	184,395	3,445,739
Loans and advances to banks	3,184	-	-	3,184
Loans to customers	101,200,959	-	-	101,200,959
Other financial assets	622,455	109,831	43,820	776,106
Total assets	**104,034,730**	**1,163,043**	**228,215**	**105,425,988**
LIABILITIES				
Deposits and balances from banks	2,428,493	1,005,782	-	3,434,275
Current accounts and deposits from customers	28,264,375	10,039,297	208,460	38,512,132
Debt securities issued	13,771,229	-	-	13,771,229
Subordinated borrowings	640,284	-	-	640,284
Other borrowed funds	4,872,383	16,889,493	-	21,761,876
Other financial liabilities	2,845,032	86,181	73,216	3,004,429
Total liabilities	**52,821,796**	**28,020,753**	**281,676**	**81,124,225**
Net position	**51,212,934**	**(26,857,710)**	**(53,461)**	**24,301,763**
Effect of derivatives held for risk management	**(26,762,250)**	**26,805,450**	**-**	**43,200**
Net position after derivatives held for risk management purposes	**24,450,684**	**(52,260)**	**(53,461)**	**24,344,963**

Other currencies are mainly represented by EUR.

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

	2015	**2014**
	KZT'000	**KZT'000**
30% appreciation of USD against KZT	(735,342)	(12,542)
30% appreciation of other currencies against KZT	(61,575)	(12,831)

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

25 Risk management, continued

(c) Credit risk

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

The credit policy establishes:

- procedures for review and approval of loan applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Retail loan applications are reviewed through the use of scoring models and application data verification procedures developed by the Credit and Collection Department. Apart from individual customer analysis, the credit portfolio is assessed by the Credit and Collection Department with regard to credit concentration and market risks.

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

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

	2015 KZT'000	2014 KZT'000
ASSETS		
Cash equivalents	10,893,429	1,743,555
Loans and advances to banks	1,952	3,184
Financial instruments at fair value through profit or loss	-	292,148
Loans to customers	96,629,836	101,200,959
Other financial assets	925,342	776,106
Total maximum exposure	**108,450,559**	**104,015,952**

For the analysis of the concentration of credit risk in respect of loans to customers refer to note 13.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 27.

Offsetting financial assets and liabilities

As at 31 December 2015 and 2014 the Bank did not have financial instruments subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments.

25 Risk management, continued

(d) Liquidity risk

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

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

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

The liquidity management policy requires:

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

The Financial markets unit receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Financial markets unit then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Financial markets unit. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management.

25 Risk management, continued

(d) Liquidity risk, continued

The following tables show undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their remaining contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or commitment.

As at 31 December 2015 KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Liabilities							
Deposits and balances from banks	16,104,134	1,062,671	-	8,695,541	-	25,862,346	23,938,458
Current accounts and deposits from customers	13,565,417	6,691,385	5,508,514	14,668,544	5,397,429	45,831,289	44,301,944
Debt securities issued	-	323,289	299,153	7,548,206	8,266,101	16,436,749	13,891,769
Other financial liabilities	823,107	959,034	-	-	-	1,782,141	1,782,141
Total liabilities	**30,492,658**	**9,036,379**	**5,807,667**	**30,912,291**	**13,663,530**	**89,912,525**	**83,914,312**
Credit related commitments	1,802,165	-	-	-	-	1,802,165	1,802,165

25 Risk management, continued

(d) Liquidity risk, continued

As at 31 December 2014 KZT’000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Liabilities							
Deposits and balances from banks	490,604	-	-	3,203,103	-	3,693,707	3,434,275
Current accounts and deposits from customers	11,520,043	3,103,012	9,863,178	9,885,934	5,511,820	39,883,987	38,512,132
Debt securities issued	-	323,290	297,500	627,401	16,323,220	17,571,411	13,771,229
Subordinated borrowings	8,817	17,067	25,600	51,200	742,400	845,084	640,284
Other borrowed funds	-	4,098,534	4,778,452	14,183,909	-	23,060,895	21,761,876
Other financial liabilities	713,607	2,290,822	-	-	-	3,004,429	3,004,429
Total liabilities	**12,733,071**	**9,832,725**	**14,964,730**	**27,951,547**	**22,577,440**	**88,059,513**	**81,124,225**
Credit related commitments	1,194,999	-	-	-	-	1,194,999	1,194,999

In accordance with the Kazakhstan legislation, depositors can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The breakdown of the carrying amount of such deposits, by each time band, is as follows:

	2015 KZT’000	2014 KZT’000
Demand and less than 1 month	845,253	393,403
From 1 to 3 months	6,623,943	3,071,092
From 3 to 6 months	5,355,318	9,696,368
From 6 to 12 months	13,815,189	9,535,540
More than 1 year	4,943,265	4,689,615
	31,582,968	**27,386,018**

25 Risk management, continued

(d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	No maturity	Overdue	Total
Assets							
Cash and cash equivalents	13,190,286	-	-	-	-	-	13,190,286
Loans and advances to banks	-	-	1,952	-	-	-	1,952
Loans to customers	9,840,353	15,087,604	41,923,248	25,719,110	-	4,059,521	96,629,836
Current tax assets	-	-	73,961	-	-	-	73,961
Property, equipment and intangible assets	-	-	-	-	5,880,416	-	5,880,416
Other assets	736,461	614,363	223,322	82,132	-	-	1,656,278
Total assets	**23,767,100**	**15,701,967**	**42,222,483**	**25,801,242**	**5,880,416**	**4,059,521**	**117,432,729**
Liabilities							
Deposits and balances from banks	15,970,200	1,025,000	6,943,258	-	-	-	23,938,458
Current accounts and deposits from customers	13,564,229	6,623,943	19,170,507	4,943,265	-	-	44,301,944
Debt securities issued	-	248,271	7,009,922	6,633,576	-	-	13,891,769
Deferred tax liability	-	-	-	155,210	-	-	155,210
Other liabilities	1,503,074	1,364,019	411,812	-	-	-	3,278,905
Total liabilities	**31,037,503**	**9,261,233**	**33,535,499**	**11,732,051**	**-**	**-**	**85,566,286**
Net position	**(7,270,403)**	**6,440,734**	**8,686,984**	**14,069,191**	**5,880,416**	**4,059,521**	**31,866,443**

As at 31 December 2015 included in deposits and balances from banks are deposits from the Parent (note 30(c)) of which KZT 15,448,825 thousand has contractual maturity in January 2016 and KZT 6,387,990 thousand has contractual maturity in November 2016. On 21 January 2016, the Bank repaid KZT 2,737,645 thousand of deposits from the Parent, and the maturity of the remaining amount of the deposit of KZT 12,711,180 thousand was prolonged until 26 February 2016.

Management of the Bank have assessed the liquidity position and consider that the liquidity gap in the less than one month category will be sufficiently covered by the prolongation of customer current accounts and deposits, and also consider that the Parent company will continue to provide prolongations of their deposit facility, in order to cover liquidity gaps, should this be required.

25 Risk management, continued

(d) Liquidity risk, continued

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

KZT’000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	No maturity	Overdue	Total
Assets							
Cash and cash equivalents	3,445,739	-	-	-	-	-	3,445,739
Loans and advances to banks	-	-	3,184	-	-	-	3,184
Loans to customers	9,978,048	15,493,668	45,311,282	25,948,207	-	4,469,754	101,200,959
Financial instruments at fair value through profit or loss	-	-	292,148	-	-	-	292,148
Current tax assets	-	-	136,909	-	-	-	136,909
Property, equipment and intangible assets	-	-	-	-	5,133,283	-	5,133,283
Other assets	660,344	501,333	159,726	116,090	-	2,453	1,439,946
Total assets	**14,084,131**	**15,995,001**	**45,903,249**	**26,064,297**	**5,133,283**	**4,472,207**	**111,652,168**
Liabilities							
Deposits and balances from banks	488,975	-	2,945,300	-	-	-	3,434,275
Current accounts and deposits from customers	11,519,517	3,071,092	19,231,908	4,689,615	-	-	38,512,132
Debt securities issued	-	248,272	90,903	13,432,054	-	-	13,771,229
Subordinated borrowings	284	-	-	640,000	-	-	640,284
Other borrowed funds	-	4,032,176	17,729,700	-	-	-	21,761,876
Deferred tax liability	-	-	-	119,250	-	-	119,250
Other liabilities	1,189,261	2,572,372	268,707	-	-	-	4,030,340
Total liabilities	**13,198,037**	**9,923,912**	**40,266,518**	**18,880,919**	**-**	**-**	**82,269,386**
Net position	**886,094**	**6,071,089**	**5,636,731**	**7,183,378**	**5,133,283**	**4,472,207**	**29,382,782**

26 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 December 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 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 31 December 2015 and 31 December 2014.

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

	2015 KZT'000	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	8,486,142	-
Intangible assets	(3,256,120)	(312,613)
Total tier 1 capital	**28,610,323**	**20,832,305**
Tier 2 capital		
Profit for the year	-	8,237,864
Subordinated borrowings	-	256,000
Total tier 2 capital	**-**	**8,493,864**
Total capital	**28,610,323**	**29,326,169**
Total credit risk-weighted assets	**100,907,801**	**107,836,821**
Total credit risk-weighted assets and liabilities, including market and operational risk	**132,060,724**	**126,429,792**
Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)	**0.217**	**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)	**0.217**	**0.165**

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

27 Commitments

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to perform as contracted.

	2015 KZT'000	**2014 KZT'000**
Contracted amount		
Loan and credit line commitments	1,802,165	1,194,999
	1,802,165	**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 31 December 2015 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank's equity (31 December 2014: 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 641,728 thousand at the reporting date were not recognised in the statement of financial position as at 31 December 2015.

28 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 2015 KZT 859,926 thousand was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (2014: KZT 1,060,668 thousand).

As at 31 December 2015 the Bank reported KZT 1,243 thousand 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).

29 Contingencies

(a) Insurance

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

(b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Bank.

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

30 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. Publicly available financial statements are produced by the Bank’s parent company.

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

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

	2015 KZT’000	2014 KZT’000
Members of the Board of Directors	117,089	271,414
Members of the Management Board	345,584	251,507
	462,673	**522,921**

30 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 31 December 2015 and 31 December 2014 for balances with members of the Board of Directors and the Management Board were as follows:

	2015 KZT'000	Average interest rate, %	2014 KZT'000	Average interest rate, %
Statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	27,164	0.01	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 2015 and 2014 were as follows:

Statement of comprehensive income	2015 KZT'000	2014 KZT'000
Interest expense	104	1,032
	104	**1,032**

(c) Transactions with the parent

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

Statement of financial position	2015 KZT'000	Average interest rate, %	2014 KZT'000	Average interest rate, %
ASSETS				
Cash and cash equivalents				
-In USD	122	-	66	-
-In EUR	118	-	70	-
-In RUB	37	-	25	-
LIABILITIES				
Deposits and balances from banks				
In KZT	21,836,815	19.70	209	-
Other borrowed funds				
-In USD	-	-	8,618,651	9.27

30 Related party transactions, continued

(c) Transactions with the parent, continued

During 2015 and 2014 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	2015 KZT'000	2014 KZT'000
Interest expense		
Deposits and balances from banks		
-In KZT	407,586	-
	407,586	**-**
Other borrowed funds		
-In KZT	-	923,368
-In USD	239,295	89,074
	239,295	**1,012,442**
Fee and commission expense		
Other fee and commission expense		
-In KZT	18,445	6,372
	18,445	**6,372**

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

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

Statement of financial position	2015 KZT'000	Average interest rate, %	2014 KZT'000	Average interest rate, %
ASSETS				
Property, equipment and intangible assets				
-In KZT	2,465,725	-	1,687,797	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	520,845	14.93	2,428,283	14.40
Current accounts and deposits from customers				
-In KZT	652,479	8.00	615,901	8.00
Subordinated borrowings				
-In KZT	-	-	640,284	16.00
Other borrowed funds				
-In KZT	-	-	4,872,383	15.50
-In USD	-	-	8,270,842	6.50
Other financial liabilities				
-In EUR	301,888	-	70,098	-

30 Related party transactions, continued

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

During 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:

Statement of profit or loss and other comprehensive income	2015 KZT’000	2014 KZT’000
Interest expense		
Other borrowed funds		
-In KZT	568,769	1,809,222
-In USD	497,209	64,901
	1,065,978	**1,874,123**
Deposits and balances from banks		
-In KZT	245,600	662,820
-In USD	2,346	-
	247,946	**662,820**
Current accounts and deposits from customers		
-In KZT	50,365	47,528
	50,365	**47,528**
Subordinated borrowings		
-In KZT	7,680	97,151
	7,680	**97,151**
General administrative expenses		
General administrative expenses	1,889,731	1,212,638
	1,889,731	**1,212,638**

31 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

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

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**

31 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 borrowings	-	-	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 Group 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.

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

(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

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.

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

(c) Fair value hierarchy, continued

Unobservable valuation differences on initial recognition

The transaction price of the swap transactions with the NBRK was different from fair value of the swap instruments in the principal markets (note 7). At initial recognition, the Bank estimated the fair values of the swaps transacted with the NBRK using valuation techniques.

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

Level 3	2015 KZT'000	2014 KZT'000
Financial instruments at fair value through profit or loss		
- Derivative assets	-	292,148
	-	**292,148**

The following table shows a reconciliation for the years ended 31 December 2015 and 2014 for fair value measurements in Level 3 of the fair value hierarchy:

		Level 3
	2015 KZT'000	2014 KZT'000
Financial instruments at fair value through profit or loss	**Derivative assets**	**Derivative assets**
Balance at beginning of the year	292,148	-
Issue	-	294,337
Total gains or losses in profit or loss	2,943,652	(2,189)
Settlement	(3,235,800)	-
Balance at end of the year	**-**	**292,148**

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

(b) Fair value hierarchy, continued

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

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
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	89,618,076	7,011,760	96,629,836	96,629,836
Other financial assets	925,342	-	925,342	925,342
Liabilities				
Deposits and balances from banks	24,266,053	-	24,266,053	23,938,458
Current accounts and deposits from customers	44,559,994	-	44,559,994	44,301,944
Debt securities issued	12,371,437	-	12,371,437	13,891,769
Other financial liabilities	1,782,141	-	1,782,141	1,782,141

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

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash equivalents	1,743,555	-	1,743,555	1,743,555
Loans and advances to banks	3,184	-	3,184	3,184
Loans to customers	93,026,545	8,174,414	101,200,959	101,200,959
Other financial assets	776,106	-	776,106	776,106
Liabilities				
Deposits and balances from banks	3,359,897	-	3,359,897	3,434,275
Current accounts and deposits from customers	38,512,132	-	38,512,132	38,512,132
Debt securities issued	12,886,911	-	12,886,911	13,771,229
Subordinated borrowings	640,284	-	640,284	640,284
Other borrowed funds	22,540,196	-	22,540,196	21,761,876
Other financial liabilities	3,004,429	-	3,004,429	3,004,429