

SB JSC “Bank Home Credit”

Interim Condensed
Financial Information
for the nine months ended
30 September 2020

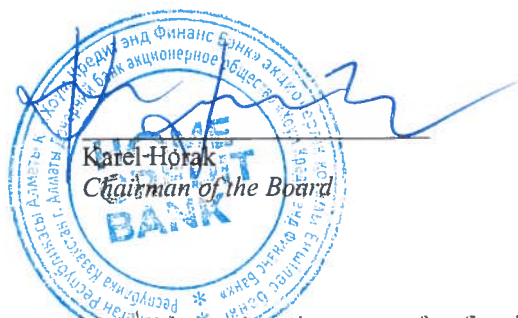
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SB JSC "Bank Home Credit"
Interim Condensed Statement of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2020

		Unaudited nine-month period ended 30 Sep 2020 KZT'000	Unaudited nine-month period ended 30 Sep 2019 KZT'000	Unaudited three-month period ended 30 Sep 2020 KZT'000	Unaudited three-month period ended 30 Sep 2019 KZT'000
Interest income calculated using the effective interest method	4	69,735,680	69,027,158	21,928,374	23,749,943
Interest expense	4	(23,781,723)	(21,440,809)	(7,238,194)	(7,276,805)
Net interest income		45,953,957	47,586,349	14,690,180	16,473,138
Fee and commission income	5	10,068,497	14,883,799	3,777,345	8,408,143
Fee and commission expense	5	(3,241,042)	(1,844,801)	(1,268,424)	(682,536)
Net fee and commission income		6,827,455	13,038,998	2,508,921	7,725,607
Net (loss) gain on financial instruments at fair value through profit or loss	6	5,482,213	(3,985,150)	3,081,287	(564,363)
Net (loss) gain resulted from modification of financial assets measured at amortised cost		(1,324,629)	-	157,366	-
Net foreign exchange loss		(9,583,392)	(103,725)	(5,255,249)	(1,005,578)
Income from penalties		858,311	3,993,217	423,268	
Other operating income, net		586,407	370,904	278,786	139,662
Operating income		48,800,322	60,900,593	15,884,559	22,768,466
Impairment (losses)/recoveries on loans to customers		(6,422,207)	1,927,021	(2,557,417)	(639,012)
Impairment losses on other assets		(230,640)	(107,755)	(134,885)	(5,198)
General administrative expenses	7	(23,050,491)	(24,357,364)	(7,736,224)	(7,977,021)
Profit before income tax		19,096,984	38,362,495	5,456,033	14,147,235
Income tax expense	8	(3,896,695)	(7,814,784)	(1,144,021)	(2,879,746)
Profit and total comprehensive income for the period		15,200,289	30,547,711	4,312,012	11,267,489
Other comprehensive income, net of income tax					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Movement in fair value reserve (debt instruments):					
- Net change in fair value		23,737	(50,326)	37,841	(98,809)
- Net change in expected credit losses		3,188	4,364	38,442	(5,941)
- Cash flows hedging - effective portion of changes in fair value		342,150	-	(65,784)	-
Other comprehensive income for the period, net of income tax		369,075	(45,962)	10,499	(104,750)
Total comprehensive income for the period		15,569,364	30,501,749	4,322,511	11,162,739

The interim condensed financial information as set out on pages 3 to 31 was approved by the Bank management on 26 November 2020 and was signed on its behalf by:




Gaukhar Massangaliyeva
Chief Accountant

SB JSC “Bank Home Credit”
Interim Condensed Statement of Financial Position as at 30 September 2020

		Unaudited	
	Note	30 September 2020	31 December 2019
		KZT'000	KZT'000
ASSETS			
Cash and cash equivalents	9	85,395,427	65,153,329
Placements with banks		1,083,563	1,916,430
Loans to retail customers	10	274,957,343	332,943,998
Investment securities			
- Pledged under sale and repurchase agreements	11	-	13,268,098
- Not pledged under sale and repurchase agreements	11	7,549,165	7,503,037
Financial instruments at fair value through profit or loss		9,714,254	195,912
Property, plant and equipment and intangible assets		13,073,232	11,828,426
Other assets		5,325,135	6,138,807
Total assets		397,098,119	438,948,037
LIABILITIES			
Financial instruments at fair value through profit or loss		1,186,933	2,714,267
Deposits and balances from banks	12	35,837,125	63,493,833
Current accounts and deposits from customers			
- Current accounts and deposits from retail customers	13	125,906,471	98,059,917
- Current accounts and deposits from corporate customers	13	43,159,270	74,142,230
Debt securities issued	14	31,409,138	40,447,348
Other borrowed funds	15	38,381,102	45,047,424
Certificates of deposit		19,306,845	19,834,825
Lease liabilities	22	4,173,048	3,426,397
Other liabilities		12,261,239	9,874,180
Total liabilities		311,621,171	357,040,421
EQUITY			
Share capital	16	5,199,503	5,199,503
Retained earnings		79,866,441	76,666,184
Hedging reserve		342,150	-
Fair value reserve		68,854	41,929
Total equity		85,476,948	81,907,616
Total liabilities and equity		397,098,119	438,948,037
Book value per share (in KZT)	17	2,303,389	2,223,208

SB JSC “Bank Home Credit”
Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2020

	Unaudited Nine months ended 30 September 2020 KZT'000	Unaudited Nine months ended 30 September 2019 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	65,286,471	68,401,778
Interest payments	(21,219,505)	(19,071,858)
Fee and commission receipts	10,355,831	14,693,067
Fee and commission payments	(3,347,608)	(2,030,411)
Net payments from financial instruments at fair value through profit or loss	(5,135,775)	(1,129,138)
Net receipts from foreign exchange	196,677	4,484
Receipts from penalties	858,311	3,993,217
Other income receipts, net	586,407	370,904
General administrative expenses	(19,354,067)	(21,459,874)
Increase/(decrease) in operating assets		
Loans to retail customers	54,343,080	(30,210,785)
Placements with banks	1,415,049	748,845
Investment securities	13,684,399	(3,752,284)
Other assets	(798,314)	(378,720)
Increase/(decrease) in operating liabilities		
Current accounts and deposits from customers	(7,209,029)	14,170,304
Balances and deposits from banks	(33,810,401)	780,594
Certificates of deposit	(521,504)	9,107,273
Other liabilities	4,129,362	676,649
Net cash provided from operating activities before income tax paid	59,459,384	34,914,045
Income tax paid	(3,595,197)	(4,365,296)
Cash flows from operating activities	55,864,187	30,548,749
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(4,361,504)	(2,236,142)
Proceeds from sale of property, plant and equipment	28,814	21,221
Cash flows used in investing activities	(4,332,690)	(2,214,921)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other borrowed funds	1,000,000	8,567,000
Repayment of other borrowed funds	(12,450,000)	(20,458,350)
Issue of debt securities	60,000	52,450
Repayment of debt securities	(10,000,000)	(6,768,502)
Payment of dividends	(12,000,032)	(17,500,015)
Payments on lease liabilities	(1,016,660)	(782,506)
Net cash used in financing activities	(34,406,692)	(36,889,923)
Net increase/(decrease) in cash and cash equivalents	17,124,805	(8,556,095)
Effect of changes in exchange rates on cash and cash equivalents	3,119,261	(230,812)
Effect of changes in expected credit losses on cash and cash equivalents	(1,968)	-
Cash and cash equivalents at the beginning of the period	65,153,329	70,259,604
Cash and cash equivalents as at the end of the period (Note 9)	85,395,427	61,472,697

SB JSC “Bank Home Credit”
Interim Condensed Statement of Changes in Equity for the nine months ended 30 September 2020

KZT'000	Share capital	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2019	5,199,503	73,364	57,656,678	62,929,545
Total comprehensive income for the period (unaudited)				
Profit for the period (unaudited)	-	-	30,547,711	30,547,711
Other comprehensive income for the period (unaudited)				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Movement in fair value reserve (debt instruments) (unaudited)				
- Net change in fair value (unaudited)	-	(50,326)	-	(50,326)
- Net change in expected credit losses (unaudited)	-	4,364	-	4,364
Total other comprehensive income for the period (unaudited)	-	(45,962)	-	(45,962)
Total comprehensive income for the period (unaudited)	-	(45,962)	30,547,711	30,501,749
Transactions with owners, recorded directly in equity (unaudited)				
Dividends declared and paid (Note 16(b)) (unaudited)	-	-	(17,500,015)	(17,500,015)
Balance at 30 September 2019 (unaudited)	5,199,503	27,402	70,704,374	75,931,279

KZT'000	Share capital	Fair value reserve	Hedging reserve	Retained earnings	Total equity
Balance at 1 January 2020	5,199,503	41,929	-	76,666,184	81,907,616
Total comprehensive income for the period (unaudited)					
Profit for the period (unaudited)	-	-	-	15,200,289	15,200,289
Other comprehensive income for the period (unaudited)					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Movement in fair value reserve (debt instruments) (unaudited)			-		
- Net change in fair value (unaudited)		23,737	-	-	23,737
- Net change in expected credit losses (unaudited)		3,188	-	-	3,188
- Cash flows hedging - effective portion of changes in fair value		-	342,150	-	342,150
Total other comprehensive income for the period (unaudited)	-	26,925	342,150	-	369,075
Total comprehensive income for the period (unaudited)	-	68,854	342,150	15,200,289	15,569,364
Dividends declared and paid (Note 16(b)) (unaudited)	-	-	-	(12,000,032)	(12,000,032)
Balance at 30 September 2020 (unaudited)	5,199,503	68,854	342,150	79,866,441	85,476,948

1 Introduction

(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 license No.1.2.36/40 dated 3 February 2020 to carry out banking activity and activity on securities market.

The Bank’s registered head office is: 248, Nursultan Nazarbayev Avenue, Almaty, Republic of Kazakhstan. As at 30 September 2020, the Bank had 17 branches and 49 bank offices, unaudited (31 December 2019: 17 branches and 48 bank offices).

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

As at 30 September 2020 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 Financial Holdings B.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. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan.

The first months of 2020 have seen significant global market turmoil triggered by the outbreak of the coronavirus. The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic. Responding to the potentially serious threat the COVID-19 presents to public health, for the purpose of protection of life and health of the citizens, a decision was made, pursuant to the legislation of the Republic of Kazakhstan, to introduce the state of emergency throughout the Republic of Kazakhstan for the period from 16 March 2020 to 12 May 2020. During the state of emergency period, regional authorities gradually introduced additional measures to enhance social distancing, including closing schools, universities, restaurants, cinemas, theatres and museums and sport facilities.

Due to business disruption and lockdown in many countries, global oil demand has drastically decreased leading to oversupply and sharp fall in oil prices. On 12 April 2020, major global oil producers including Kazakhstan agreed to a record cut in crude oil production for stabilizing the oil market, which, however, has not been able to reverse the downward pressure on the oil market. Sharp decrease in oil prices and production volumes results in corresponding decrease of oil producers’ income and payments to the republican budget, which is likely to have major economic and social consequences and unavoidably affect public sector spending.

To continue as a going concern, the Bank keeps carrying out its operations using a remote access: 50% of the head office employees are working remotely and takes measures to protect health of the employees working on site including provision of the individual protective devices, observance of distancing regime, and disinfection of the Bank’s premises. The Bank also ensures organisation of operations of the functions that process the customer transactions, and uninterrupted functioning of the ATMs, terminals, Internet-banking, mobile banking, cash collection service, Call-center, and payment card delivery service.

Taking into account the Bank’s current operational and financial performance along with other currently available public information, within the nine-month period ended 30 September 2020, the Bank adjusted macroeconomic indicators in estimates of expected credit losses. However, management cannot preclude the possibility that extended lockdown periods, an escalation in severity of such measures, or a consequential adverse impact of such measures on the economic environment will have an adverse effect on the Bank in the medium and longer term. Moreover, the Bank also considers negative development scenarios and is ready to adapt its operational plans accordingly. The Bank continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

The interim condensed financial information reflects management’s assessment of the impact of the Kazakhstan business environment on the operations and financial position of the Bank. The future business environment may differ from management’s assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying interim condensed financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* and are to be read in conjunction with the financial statements of the Bank as at 31 December 2019 and for the year then ended. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Bank since the annual reporting period ended 31 December 2019.

These interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

(b) Basis of measurement

The interim condensed financial information is prepared on the historical cost basis except that financial instruments at fair value through profit or loss and investment securities measured at fair value through other comprehensive income 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 this interim condensed financial information.

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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.

The significant judgements made by management in applying the Bank’s accounting policies are the key sources of estimation uncertainty were the same as those that applied to the last annual financial statements, except for the impact of COVID-19 pandemic on assessment of expected credit losses. The Bank has adjusted the values of probability of default on retail loans due to economic downturn caused by COVID-19 pandemic (macro-adjustment) and also assessed the impact of provided payment holidays on the value of expected credit losses. Approach to assessment of expected credit losses is described in Note 10 *Loans to retail customers*.

3 Significant accounting policies

The accounting policies applied in these interim condensed financial information are the same as those the Bank applied in its last annual financial statements, except for the accounting policies related to the cash flow hedging.

A number of new amendments and interpretations are effective from 1 January 2020 but they do not have a material effect on the Bank’s interim condensed financial information.

(a) Change in the accounting policy from 1 January 2020

The Bank started applying the financial derivative instruments to hedge exposure to currency risk arising from financing activities.

Effective from 1 January 2020 the Bank has started applying the accounting of cash flows hedging against possible changes in cash flows, which are caused by certain risk associated with recognised asset or liability and may have impact on profit or loss. However, not all financial derivatives of the Bank meet the requirements to be applicable to hedge accounting according to IFRS 9.

At the inception of the hedging relationships the Bank documents the hedge relationships between the hedged item and hedging instrument, including description of the nature of the risk being hedged, hedging objectives and strategies and method to be used to assess the hedge effectiveness, including analysis of the sources of hedge ineffectiveness and how to determine the hedge ratio). At the inception of the hedging relationship this relationship should meet all hedge effectiveness requirements.

Hedge effectiveness is the extent to which changes in the fair value or the cash flows of the hedging instrument offset changes in the fair value or the cash flows of the hedged item. Effective portion of changes in fair value of a hedging instrument is recognised in other comprehensive income and stated as a hedge reserve within equity. The remaining portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss for the period. The amount that has been accumulated in the hedge reserve is reclassified from other comprehensive income into profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

A hedging relationship is discontinued when it ceases to meet the criteria of hedge accounting, with due consideration of possible rebalancing of this hedging relationship.

A hedging relationship is subject to termination in cases when:

- risk management objective for a hedging relationship has changed;
- a hedging instrument expires or is sold, terminated or settled;
- there is no longer an economic relationship between the hedged item and the hedging instrument; and
- the effect of credit risk starts to dominate the value changes that result from that economic relationship between the hedged item and the hedging instrument.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. However, the Bank has not early adopted them in preparing these interim condensed financial information.

4 Net interest income

	Unaudited Nine months ended 30 September 2020 KZT'000	Unaudited Nine months ended 30 September 2019 KZT'000
Interest income under the effective interest method:		
Loans to retail customers	65,763,514	65,703,425
Cash and cash equivalents	3,195,186	2,517,955
Investment securities	776,980	805,778
Total interest income calculated using the effective interest method	69,735,680	69,027,158
Interest expense		
Current accounts and deposits from customers	(10,738,772)	(10,271,007)
Debt securities issued	(3,643,620)	(4,515,670)
Balances and deposits from banks	(3,708,598)	(3,209,463)
Other borrowed funds	(3,122,419)	(1,639,187)
Certificates of deposit	(2,163,212)	(1,428,009)
Lease liabilities	(405,102)	(376,805)
Investment securities	-	(668)
Total interest expense	(23,781,723)	(21,440,809)
Net interest income	45,953,957	47,586,349

5 Net fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major types of commission income.

	Unaudited Nine months ended 30 September 2020 KZT'000	Unaudited Nine months ended 30 September 2019 KZT'000
Fee and commission income:		
Commission income from insurance	8,771,987	11,839,325
Card operations	827,051	241,066
Fees for early loan repayments	412,147	494,952
Transfer operations	13,881	305,826
Fees from partners	7,138	1,918,264
Cash withdrawal	1,640	4,279
Other fee and commission income	34,653	80,087
Total fee and commission income	10,068,497	14,883,799
Fee and commission expense:		
Card processing	(735,088)	(458,634)
Commissions paid for verification services	(703,693)	(731,677)
Settlements	(650,997)	(224,001)
Commissions paid to partners	(501,083)	(208,727)
Deposit insurance fund contributions	(348,339)	(166,656)
Other	(301,842)	(55,106)
Total fee and commission expense	(3,241,042)	(1,844,801)
Net fee and commission income	6,827,455	13,038,998

The fees and commission presented in this note include income of KZT 10,032,204 thousand, unaudited (the nine months ended 30 September 2019: KZT 14,803,712 thousand, unaudited) and expense of KZT 2,288,203 thousand, unaudited (the nine months ended 30 September 2019: KZT 1,789,695 thousand, unaudited) relating to financial assets and financial liabilities not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

Contract balances

The following table provides information about receivables and liabilities from contracts with customers.

KZT'000	Unaudited	
	30 September 2020	31 December 2019
Receivables, which are included in ‘other assets’	1,918,142	3,601,989

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

6 Net gain/(loss) on financial instruments at fair value through profit or loss

	Unaudited	Unaudited
	Nine months ended 30 September 2020 KZT'000	Nine months ended 30 September 2019 KZT'000
1 to 2-year currency swaps with PPF Banka A.S., net	3,170,103	(3,955,525)
1-year currency swaps with VTB Bank JSC, net	2,014,145	-
Short-term currency swaps with Home Credit and France Bank LLC	448,319	-
2-year currency swaps with Sovcombank JSC, net	401,388	-
Short-term currency swaps on KASE, net	(551,742)	(29,625)
	5,482,213	(3,985,150)

7 General administrative expenses

	Unaudited	Unaudited
	Nine months ended 30 September 2020 KZT'000	Nine months ended 30 September 2019 KZT'000
Employee compensation and payroll related taxes	11,241,551	11,407,161
Depreciation and amortisation	3,325,943	3,137,958
Telecommunication and postage	1,824,242	1,644,390
Information technology	1,929,499	2,177,867
Professional services	1,535,597	1,837,665
Collectors’ services	857,611	1,025,301
Advertising and marketing	872,029	1,140,947
Taxes other than income tax	626,655	695,968
Occupancy	401,170	482,447
Travel expenses	82,707	260,121
Other	353,487	547,539
	23,050,491	24,357,364

8 Income tax expense

	Unaudited Nine months ended 30 September 2020 KZT'000	Unaudited Nine months ended 30 September 2019 KZT'000
Income tax expense		
Current year income tax expense	2,429,593	8,115,381
Tax overprovided in prior periods	(493,376)	(282,064)
	1,936,217	7,833,317
Deferred tax expense		
Origination and reversal of temporary differences	1,960,478	(18,533)
Total income tax expense	3,896,695	7,814,784

In 2020, the applicable tax rate for current and deferred tax was 20% (2019: 20%), it is used for calculation of deferred tax liabilities as at 30 September 2020.

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim condensed financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

Reconciliation of effective tax rate:

	Unaudited Nine months ended 30 September 2020 KZT'000	%	Unaudited Nine months ended 30 September 2019 KZT'000	%
Profit before income tax	19,096,984	100.0	38,362,495	100.0
Income tax at the applicable tax rate	3,819,397	20.0	7,672,499	20.0
Non-deductible costs	570,674	3.0	424,349	1.1
Overprovided in prior periods	(493,376)	(2.6)	(282,064)	(0.7)
	3,896,695	20.4	7,814,784	20.4

9 Cash and cash equivalents

	Unaudited 30 September 2020 KZT'000	31 December 2019 KZT'000
Cash on hand	8,344,223	8,211,154
Nostro accounts with the NBRK (rated BBB-)	8,794,294	17,054,910
Nostro accounts with other banks		
- rated from BBB- to BBB+	12,833,946	1,082,373
- rated from BB- to BB+	229,541	2,100,111
- rated below B+	34,285	46,641
- not rated	67	86
Nostro accounts with other banks	13,097,839	3,229,211
Loss allowance	(2,419)	(345)
Net total nostro accounts with other banks	13,095,420	3,228,866
Cash equivalents		
Term deposits with the NBRK (rated BBB-)	55,161,490	36,658,399
Total cash equivalents	55,161,490	36,658,399
Total cash and cash equivalents	85,395,427	65,153,329

Cash equivalent balances that are not rated pertain to the Kazakh bank, having a rating not higher than the sovereign credit rating.

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.

All cash and cash equivalents are included in Stage 1 of the credit risk grade.

As at 30 September 2020 the Bank has two counterparties (31 December 2019: one counterparty bank), whose balances exceeded 10% of equity. The gross value of these balances as at 30 September 2020 is KZT 76,424,586 thousand, unaudited (31 December 2019: KZT 53,713,309 thousand).

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 balances NBRK) equal or in excess of the average minimum requirements. As at 30 September 2020, the minimum reserve is KZT 3,265,618 thousand, unaudited (31 December 2019: KZT 2,908,297 thousand).

10 Loans to retail customers

	Unaudited 30 September 2020 KZT'000	31 December 2019 KZT'000
Loans to retail customers		
Cash loans	157,491,941	170,639,386
POS loans	93,137,463	135,658,454
Credit cards	41,010,236	40,041,998
Total loans to retail customers	291,639,640	346,339,838
Loss allowance	(16,682,297)	(13,395,840)
Net loans to retail customers	274,957,343	332,943,998

Measurement of expected credit losses

COVID-19 outbreak has influenced and continues having significant influence on the entities operating in the country and economic environment of the Bank. The current situation is dynamic and there is material uncertainty as to how it will develop in the future.

To assess impact of COVID-19 on allowance for expected credit losses, the Bank divided the loan portfolio into 3 parts:

The first part of the portfolio is the part where significant deterioration from the current delay of payments is observed during the first months of the crisis impact (the “COVID portfolio”). The loans are identified based on the analysis of contracts that are falling again within those overdue for 30 and more days and stay below this threshold for a certain period of time (generally, for 3-9 months). The goal is to exclude customers who unexpectedly appeared to be overdue with the expected impact of the COVID-19 crisis on their behaviour. For all customers included in the COVID portfolio the expected credit losses are assessed for lifetime. The gross carrying amount of the COVID portfolio is KZT 2,014,818 thousand as at 30 September 2020.

The second part of the portfolio is the part where payment holiday (“PayHol”) was offered during the period of the COVID-19 pandemic. During payment holiday, the Bank performed qualitative assessments (analysis of impact on business sectors on a collective basis, analysis of data obtained during the collection processes, qualitative studies). This assessment led to the final assessment that the credit risk has increased significantly for this portfolio.

As at 30 September 2020, the gross carrying amount of PayHol portfolio is KZT 44,800,358 thousand.

The remaining part of the portfolio is the part, which does not meet the descriptions above (hereinafter, the “non-COVID portfolio”). Expected credit losses for this part of the portfolio were assessed using techniques applied prior to the COVID-19 pandemic.

(a) Analysis of movements in the credit loss allowance

KZT'000	Unaudited			
	Nine months ended 30 September 2020			
	Stage 1	Stage 2	Stage 3	Total
Loans to retail customers at amortised cost				
Balance at 1 January	4,327,288	1,855,781	7,212,771	13,395,840
Transfer to Stage 1	3,743	(3,743)	-	-
Transfer to Stage 2	(294,665)	295,535	(870)	-
Transfer to Stage 3	(186,597)	(1,731,420)	1,918,017	-
New financial assets originated or purchased*	1,956,721	884,970	1,063,013	3,904,704
Net remeasurement of loss allowance	(1,233,942)	1,461,852	2,289,592	2,517,502
Recoveries (write-offs)	-	-	(4,364,929)	(4,364,929)
Unwinding of discount on present value of ECLs	-	-	1,229,180	1,229,180
Balance at 30 September	4,572,548	2,762,975	9,346,774	16,682,297

KZT'000	Unaudited Nine months ended 30 September 2019			
	Stage 1	Stage 2	Stage 3	Total
Loans to retail customers at amortised cost				
Balance at 1 January	3,803,935	1,831,057	6,786,341	12,421,333
Transfer to Stage 1	92,580	(92,580)	-	-
Transfer to Stage 2	(207,082)	207,210	(128)	-
Transfer to Stage 3	(66,696)	(2,628,207)	2,694,903	-
New financial assets originated or purchased*	2,704,480	871,611	843,746	4,419,837
Net remeasurement of loss allowance	(2,215,263)	2,061,962	(6,193,557)	(6,346,858)
Recoveries (write-offs)	(313,424)	(192,813)	1,432,262	926,025
Unwinding of discount on present value of ECLs	-	-	1,138,869	1,138,869
Balance at 30 September	3,798,530	2,058,240	6,702,436	12,559,206

* Includes new financial assets issued during the period, including transfers of these loans between stages.

(b) Credit quality of loans to retail customers

The Bank considers loans which are overdue for more than 90 days to be non-performing. As at 30 September 2020 total impairment allowance to gross carrying amount of non-performing loans was 99%, unaudited (31 December 2019: 90%).

KZT'000	30 September 2020 (unaudited)			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL for assets not credit-impaired	Stage 3 Lifetime ECL for assets credit- impaired	
Loans to retail customers at amortised cost:				
<i>Cash loans</i>				
Not overdue	126,930,203	10,600,008	1,300,153	138,830,364
Overdue less than 30 days	2,775,025	3,558,350	368,791	6,702,166
Overdue 31-90 days	-	3,070,217	338,462	3,408,679
Overdue 91-180 days	-	-	2,691,235	2,691,235
Overdue 181-360 days	-	-	4,160,181	4,160,181
Overdue more than 360 days	-	-	1,699,316	1,699,316
Total gross carrying amount	129,705,228	17,228,575	10,558,138	157,491,941
Loss allowance	(2,636,395)	(1,454,160)	(4,503,617)	(8,594,172)
Carrying amount	127,068,833	15,774,415	6,054,521	148,897,769

A state of emergency was declared in Kazakhstan during the period from 16 March to 11 May 2020 due to the coronavirus pandemic. During the period from 15 March to 15 June the borrowers were provided a deferment of payment as part of the procedure of suspension of payment of the principal debt and interest in relation to the loans issued to individuals and business entities that have suffered as a result of introduction of the state of emergency. As a result of this, the loss from modification of KZT 1,324,629 thousand (unaudited) was recognised in the interim condensed statement of profit or loss and other comprehensive income.

KZT'000	30 September 2020 (unaudited)			
		Stage 2	Stage 3	
		Lifetime ECL	Lifetime ECL	
	Stage 1	for assets not	for assets credit-	Total
	12-month ECL	credit-impaired	impaired	
<i>POS loans</i>				
Not overdue	76,808,767	2,926,906	808,693	80,544,366
Overdue less than 30 days	1,729,924	1,701,523	218,679	3,650,126
Overdue 31-90 days	-	1,975,315	268,861	2,244,176
Overdue 91-180 days	-	-	2,017,152	2,017,152
Overdue 181-360 days	-	-	3,493,425	3,493,425
Overdue more than 360 days	-	-	1,188,218	1,188,218
Total gross carrying amount	78,538,691	6,603,744	7,995,028	93,137,463
Loss allowance	(1,689,856)	(1,058,016)	(4,046,615)	(6,794,487)
Carrying amount	76,848,835	5,545,728	3,948,413	86,342,976
<i>Credit cards</i>				
Not overdue	34,225,945	2,193,170	399,494	36,818,609
Overdue less than 30 days	875,326	464,017	94,537	1,433,880
Overdue 31-90 days	-	936,900	146,175	1,083,075
Overdue 91-180 days	-	-	679,828	679,828
Overdue 181-360 days	-	-	848,705	848,705
Overdue more than 360 days	-	-	146,139	146,139
Total gross carrying amount	35,101,271	3,594,087	2,314,878	41,010,236
Loss allowance	(246,297)	(250,799)	(796,542)	(1,293,638)
Carrying amount	34,854,974	3,343,288	1,518,336	39,716,598
KZT'000				
	31 December 2019			
		Stage 2	Stage 3	
		Lifetime ECL	Lifetime ECL	
	Stage 1	for assets not	for assets	Total
	12-month ECL	credit-impaired	credit-impaired	
<i>Loans to retail customers at amortised cost:</i>				
<i>Cash loans</i>				
Not overdue	142,221,073	15,144,599	-	157,365,672
Overdue less than 30 days	2,215,226	1,328,296	-	3,543,522
Overdue 31-90 days	-	2,125,470	-	2,125,470
Overdue 91-180 days	-	-	2,877,163	2,877,163
Overdue 181-360 days	-	-	3,120,924	3,120,924
Overdue more than 360 days	-	-	1,606,635	1,606,635
Total gross carrying amount	144,436,299	18,598,365	7,604,722	170,639,386
Loss allowance	(2,134,259)	(962,541)	(3,664,577)	(6,761,377)
Carrying amount	142,302,040	17,635,824	3,940,145	163,878,009
<i>POS loans</i>				
Not overdue	121,699,537	4,186,414	-	125,885,951
Overdue less than 30 days	1,510,881	627,421	-	2,138,302
Overdue 31-90 days	-	1,632,697	-	1,632,697
Overdue 91-180 days	-	-	2,056,027	2,056,027
Overdue 181-360 days	-	-	2,583,764	2,583,764
Overdue more than 360 days	-	-	1,361,713	1,361,713
Total gross carrying amount	123,210,418	6,446,532	6,001,504	135,658,454
Loss allowance	(2,051,630)	(767,682)	(2,978,165)	(5,797,477)
Carrying amount	121,158,788	5,678,850	3,023,339	129,860,977

KZT'000	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL for assets not credit-impaired	Lifetime ECL for assets credit-impaired	
<i>Credit cards</i>				
Not overdue	36,962,522	708,275	-	37,670,797
Overdue less than 30 days	540,857	55,599	-	596,456
Overdue 31-90 days	-	508,351	-	508,351
Overdue 91-180 days	-	-	505,717	505,717
Overdue 181-360 days	-	-	642,725	642,725
Overdue more than 360 days	-	-	117,952	117,952
Total gross carrying amount	37,503,379	1,272,225	1,266,394	40,041,998
Loss allowance	(141,399)	(125,558)	(570,029)	(836,986)
Carrying amount	37,361,980	1,146,667	696,365	39,205,012
Total loans to retail customers	305,150,096	26,317,122	14,872,620	346,339,838
Loss allowance	(4,327,288)	(1,855,781)	(7,212,771)	(13,395,840)
Loans to retail customers net of loss allowance	300,822,808	24,461,341	7,659,849	332,943,998

11 Investment securities

	Unaudited	
	30 September 2020 KZT'000	31 December 2019 KZT'000
Investment securities measured at fair value through other comprehensive income	7,549,165	20,771,135
Total investment securities	7,549,165	20,771,135

Investment securities measured at fair value through other comprehensive income

	Unaudited	
	30 September 2020 KZT'000	31 December 2019 KZT'000
<i>Debt securities</i>		
Corporate bonds		
- rated from B- to B+	7,549,165	7,503,037
Pledged under sale and repurchase agreements		
US Treasury bills		
- rated AAA	-	13,268,098
	7,549,165	20,771,135

All investment securities are included in Stage 1 of the credit risk grade.

Loss allowance

The following tables show reconciliations from the opening to the closing balances of the loss allowance on investment securities at FVOCI:

KZT'000	Unaudited		Unaudited	
	30 September 2020 Stage 1	Total	30 September 2019 Stage 1	Total
Investment securities measured at fair value through other comprehensive income				
Balance at the beginning of the period	58,747	58,747	51,930	51,930
Net remeasurement of loss allowance	3,188	3,188	4,364	4,364
Balance at the end of the period	61,935	61,935	56,294	56,294

The above loss allowance is not recognised in the interim condensed statement of financial position because the carrying amount of investment securities at FVOCI is their fair value.

12 Deposits and balances from banks

	Unaudited 30 September 2020 KZT'000	31 December 2019 KZT'000
Loro accounts	101,924	237,338
Term deposits	35,735,201	49,980,019
Sale and repurchase agreements	-	13,276,476
	35,837,125	63,493,833

As at 30 September 2020 the Bank has one counterparty whose balances exceeded 10% of the Bank's equity (31 December 2019: two counterparties). As at 30 September 2020 these balances amounted to KZT 22,807,404 thousand, unaudited (31 December 2019: KZT 33,812,260 thousand).

13 Current accounts and deposits from customers

	Unaudited 30 September 2020 KZT'000	31 December 2019 KZT'000
Corporate		
- Current accounts	251,738	611,477
- Term deposits	42,907,532	73,530,753
Current accounts and deposits from corporate customers	43,159,270	74,142,230
Retail		
- Current accounts	21,165,087	21,484,484
- Term deposits	104,741,384	76,575,433
Current accounts and deposits from retail customers	125,906,471	98,059,917
	169,065,741	172,202,147

As at 30 September 2020, the Bank has one customer (31 December 2019: two customers), whose balances exceeded 10% of the Bank's equity. As at 30 September 2020 these balances amounted to KZT 11,949,707 thousand, unaudited (31 December 2019: KZT 22,806,083 thousand).

14 Debt securities issued

During the nine months ended 30 September 2020 the Bank has repaid KZT-denominated unsecured bonds of the third issue, as part of the second bond programme, with the nominal value of KZT 10,000,000 thousand, which mature in May 2020 and bear a fixed coupon rate of 15.0%.

During the nine months ended 30 September 2020 the Bank has issued additional KZT-denominated unsecured bonds of the first issue, as part of the third bond programme, with the nominal value of KZT 60,000 thousand, which mature in December 2021 and bear a fixed coupon rate of 13.0%.

15 Other borrowed funds

	Issue date	Maturity date	Cur- rency	Weighted- average effective interest rate, %	Unaudited 30 September 2020 KZT'000	31 December 2019 KZT'000
Other borrowed funds						
Unsecured loans and borrowings	29/11/2019	25/10/2021	USD	7.00	29,111,027	34,219,254
Unsecured loans and borrowings	24/12/2019	24/06/2021	KZT	13.5	5,992,171	5,970,455
Unsecured loans and borrowings	14/11/2019	25/10/2021	USD	7.00	1,638,952	1,930,432
Unsecured loans and borrowings	29/11/2019	25/10/2021	USD	7.00	1,638,952	1,924,853
Unsecured loans and borrowings	25/12/2019	20/03/2020	KZT	12.50	-	1,002,430
					38,381,102	45,047,424

16 Equity

(a) Issued capital

As at 30 September 2020 the authorised share capital comprised 160,240 ordinary shares (31 December 2019: 160,240 ordinary shares) and issued and outstanding share capital comprised 34,890 ordinary shares (31 December 2019: 34,890 ordinary shares). The shares do not have nominal value.

(b) Dividends

The amount of available for distribution reserves of the Bank is based on the actual values of the capital adequacy ratios of the Bank k1, k1-2 and k2, taking into account the equity buffers, which must be at least equal to the capital adequacy ratios established by the legislation of the Republic of Kazakhstan, taking into account these equity buffers. In the event that the actual values of the Bank's capital ratios k1, k1-2 and k2 are not lower than those established by the legislation of the Republic of Kazakhstan, but any of these ratios is lower than the established values of capital adequacy ratios taking into account the equity buffers, then the use of retained earnings of the Bank is subject to a restriction according to the minimum amount of the restriction of undistributed net income in accordance with the legislation of the Republic of Kazakhstan, regarding the termination of payment of dividends and redemption of shares, except for cases stipulated by the law of the Republic of Kazakhstan “On Joint Stock Companies”.

As at 30 September 2020 reserves available for distribution amounted to KZT 29,833,814 thousand, unaudited (31 December 2019: KZT 14,813,237 thousand).

During the nine months ended 30 September 2020, the Bank has declared and paid dividends of KZT 12,000,032 thousand or KZT 343,939 per share (for the nine months ended 30 September 2019: the Bank has declared and paid dividends of KZT 17,500,015 thousand or KZT 501,577 per share).

17 Book value per share

The calculation of book value per share as at 30 September 2020 is based on the number of outstanding ordinary shares of 34,890, unaudited (31 December 2019: 34,890) and net assets calculated in accordance with the Listing Rules of Kazakhstan Stock Exchange as follows:

	Unaudited	
	30 September 2020	31 December 2019
	KZT'000	KZT'000
Total assets	397,098,119	438,948,037
Intangible assets	(5,111,715)	(4,339,906)
Total liabilities	311,621,171	(357,040,421)
Net assets	80,365,233	77,567,710

The following table shows the book value per share calculations as at 30 September 2020 and 31 December 2019:

	Unaudited	
	30 September 2020	31 December 2019
Net assets, KZT'000	80,365,233	77,567,710
Outstanding number of ordinary shares at the end of the period/year, share	34,890	34,890
Book value per share (in KZT)	2,303,389	2,223,208

18 Earnings per share

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

	Unaudited 30 September 2020	Unaudited 30 September 2019
Net profit attributable to ordinary shareholders, KZT'000	15,200,289	30,547,711
Weighted average number of ordinary shares	34,890	34,890
Earnings per share, in KZT (basic and diluted)	435,663	875,543

There are no potentially dilutive shares for the periods ended 30 September 2020 and 30 September 2019.

19 Analysis by segments

The Bank's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *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, the Management Board, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Assets are concentrated primarily in the Republic of Kazakhstan, and the majority of revenues and net income are derived from operations in, and connected with the Republic of Kazakhstan.

20 Capital management

The NBRK sets and monitors capital requirements for the Bank.

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 above the prescribed minimum levels. As at 30 September 2020, this minimum level of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk was 0.055, unaudited (31 December 2019: 0.055) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 0.080, unaudited (31 December 2019: 0.080). The Bank was in compliance with the statutory capital requirements as at 30 September 2020, unaudited, and 31 December 2019.

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

	Unaudited 30 September 2020 KZT'000	31 December 2019 KZT'000
Tier 1 capital		
Share capital	5,199,503	5,199,503
Retained earnings of prior periods	64,666,152	40,156,663
Profit for the period	15,200,289	36,509,521
Intangible assets	(5,111,715)	(4,339,906)
Revaluation reserve	(335,231)	(16,818)
Total tier 1 capital	79,618,998	77,508,963

	Unaudited 30 September 2020 KZT'000	31 December 2019 KZT'000
Total tier 2 capital	-	-
Total capital	<u>79,618,998</u>	<u>77,508,963</u>
Total credit risk-weighted assets	<u>418,768,614</u>	<u>502,653,255</u>
Total credit risk-weighted assets and liabilities, including market and operational risk	<u>525,288,410</u>	<u>587,600,468</u>
Ratio of total capital to credit risk-weighted assets and liabilities, including market and operational risk (total capital adequacy ratio)	<u>15.2%</u>	<u>13.2%</u>
Ratio of total tier 1 capital to credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital adequacy ratio)	<u>15.2%</u>	<u>13.2%</u>

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 considered 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.

21 Credit related commitments

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

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced.

	Unaudited 30 September 2020 KZT'000	31 December 2019 KZT'000
Contracted amount		
Loan and credit line commitments	<u>41,019,256</u>	<u>34,671,332</u>
	<u>41,019,256</u>	<u>34,671,332</u>

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

As at 30 September 2020 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank's equity (31 December 2019: none).

The table below provides an analysis of the of loan and credit line commitments by the credit risk grade in accordance with IFRS 9:

	Unaudited 30 September 2020 KZT'000	31 December 2019 KZT'000
Loan and credit line commitments		
Stage 1	40,238,125	34,324,026
Stage 2	<u>781,131</u>	<u>347,306</u>
	<u>41,019,256</u>	<u>34,671,332</u>

22 Leases

Leases in which the Bank is a lessee

The Bank leases mainly property items. The leases typically run for a period 3 years. Some leases include an option to renew the lease for additional 5 years after the end of non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17.

Information about leases under which the Bank is a lessee is presented below.

(a) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of 'investment property' are presented within property, plant and equipment and intangible assets.

KZT'000	Real estate	Total
Balance at 1 January 2020	3,542,858	3,542,858
Depreciation charge for the year	(808,627)	(808,627)
Additions of right-of-use assets	1,503,213	1,503,213
Derecognition of right-of-use assets	(145,005)	(145,005)
Balance at 30 September 2020, unaudited	4,092,439	4,092,439

KZT'000	Real estate	Total
Balance at 1 January 2019	3,593,498	3,593,498
Depreciation charge for the year	(399,676)	(399,676)
Additions of right-of-use assets	252,070	252,070
Derecognition of right-of-use assets	(85,712)	(85,712)
Balance at 30 September 2019, unaudited	3,360,180	3,360,180

(b) Lease liability

Terms and conditions of outstanding lease liabilities as at 30 September 2020 were as follows, unaudited:

KZT'000	Currency	Year of maturity	Nominal value	Carrying amount
Lease liability	KZT	2020-2030	6,833,755	4,173,048

(c) Amounts recognised in profit or loss for the period, unaudited

	KZT'000
Leases under IFRS 16	
Interest on lease liabilities	405,102
Expenses related to short-term leases	401,170

(d) Amounts recognised in interim condensed statement of cash flows, unaudited

	KZT'000
Total cash outflow for leases	1,016,660

23 Related party transactions

(a) Control relationship

The Bank's parent company is Home Credit and Finance Bank (Russia). The Bank's ultimate controlling owner is Mr Petr Kellner. Publicly available financial statements are produced by the Bank's parent company.

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

Total remuneration included in personnel expenses for the nine months ended 30 September 2020 and 30 September 2019 is as follows:

	Unaudited Nine months ended 30 September 2020 KZT'000	Unaudited Nine months ended 30 September 2019 KZT'000
Members of the Board of Directors	260,578	300,994
Members of the Management Board	491,890	1,020,395
	752,468	1,321,389

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

The outstanding balances and average interest rates as at 30 September 2020 and 31 December 2019 for transactions with the members of the Management Board and the Board of Directors are as follows:

	Unaudited 30 September 2020 KZT'000	Average interest rate, %	31 December 2019 KZT'000	Average interest rate, %
Interim condensed statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	32,122	1.82	56,252	2.99

The amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the nine months ended 30 September 2020 and 30 September 2019 are as follows:

	Unaudited Nine months ended 30 September 2020 KZT'000	Unaudited Nine months ended 30 September 2019 KZT'000
Interim condensed statement of profit or loss and other comprehensive income		
Interest expense	3,043	418
	3,043	418

(c) Transactions with the parent

As at 30 September 2020 and 31 December 2019 transactions with the parent included in the interim condensed statement of financial position were as follows:

	Unaudited 30 September 2020 KZT'000	Average interest rate, %	31 December 2019 KZT'000	Average interest rate, %
Interim condensed statement of financial position				
ASSETS				
Cash and cash equivalents				
- USD	136	-	138	-
- EUR	143	-	136	-
- RUB	22	-	33	-
LIABILITIES				
Deposits and balances from banks				
- KZT	50,850	-	3	-
- USD	22,756,554	7.90	20,536,167	7.90
Debt securities issued				
- KZT	5,199,315	13.0	-	-

During the nine months ended 30 September 2020 and 30 September 2019 transactions with the parent included in the interim condensed statement of profit or loss and other comprehensive income were as follows:

	Unaudited Nine months ended 30 September 2020 KZT'000	Unaudited Nine months ended 30 September 2019 KZT'000
Interim condensed statement of profit or loss and other comprehensive income		
Interest expense		
Deposits and balances from banks		
- USD	1,225,524	1,204,709
	1,225,524	1,204,709
Debt securities issued		
- KZT	284,365	-
	284,365	-
Net gain on financial instruments at fair value through profit or loss		
- KZT	448,319	-
	448,319	-

(d) Transactions with entities under the control of the ultimate controlling owner

As at 30 September 2020 and 31 December 2019 outstanding balances with entities under the control of the ultimate controlling owner included in the interim condensed statement of financial position were as follows:

	Unaudited 30 September 2020 KZT'000	Average interest rate, %	31 December 2019 KZT'000	Average interest rate, %
Interim condensed statement of financial position				
ASSETS				
Deposits and balances with banks and other financial institutions				
- EUR	-		163,020	-
Property, plant and equipment and intangible assets*				
- KZT	4,171,935	-	3,653,645	-
Financial instruments at fair value through profit or loss				
- KZT/USD	5,426,927	-	195,912	-
Other assets				
- EUR	193,126	-	-	-
- USD	-	-	13,222	-
LIABILITIES				
Deposits and balances from banks				
- KZT	51,074	-	236,953	-
- EUR	1,032,262	4.00	2,193,858	4.00
Current accounts and deposits from customers				
- USD	6,478,520	6.78	5,739,931	6.78
Financial instruments at fair value through profit or loss				
- KZT	-	-	950,907	-
Debt securities issued				
- KZT	-	-	5,021,996	13.0
Other financial liabilities				
- EUR	4,371,362	-	1,566,756	-

During the nine months ended 30 September 2020 and 30 September 2019 transactions with entities under the control of the ultimate controlling owner included in the interim condensed statement of profit or loss and other comprehensive income were as follows:

	Unaudited Nine months ended 30 September 2020 KZT'000	Unaudited Nine months ended 30 September 2019 KZT'000
Interim condensed statement of profit or loss and other comprehensive income		
Interest expense		
Current accounts and deposits from customers		
- USD	320,092	103,681
	320,092	103,681
Other borrowed funds		
- USD	-	886,233
- EUR	-	218,174
	-	1,104,407
Deposits and balances from banks		
-EUR	40,454	26,883
	40,454	26,883
Debt securities issued		
- KZT	173,171	184,108
	173,171	184,108
Net gain/(loss) on financial instruments at fair value through profit or loss		
- USD	3,170,103	(3,955,525)
	3,170,103	(3,955,525)
General and administrative expenses		
General and administrative expenses	3,572,190	3,542,959

24 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2020.

KZT'000	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Measured at amortised cost	Gross carrying amount	Fair value
Cash and cash equivalents	-	-	77,051,204	77,051,204	77,051,204
Deposits and balances with banks	-	-	1,083,563	1,083,563	1,083,563
Loans to customers	-	-	274,957,343	274,957,343	288,432,234
Investment securities	-	7,549,165	-	7,549,165	7,549,165
Financial instruments at fair value through profit or loss	9,714,254	-	-	9,714,254	9,714,254
Other financial assets	-	-	1,918,142	1,918,142	1,918,142
	9,714,254	7,549,165	355,010,252	372,273,671	385,748,562
Financial instruments at fair value through profit or loss	1,186,933	-	-	1,186,933	1,186,933
Deposits and balances from banks	-	-	35,837,125	35,837,125	35,938,421
Current accounts and deposits from customers	-	-	169,065,741	169,065,741	169,359,031
Debt securities issued	-	-	31,409,138	31,409,138	31,202,523
Other borrowed funds	-	-	38,381,102	38,381,102	38,724,220
Certificates of deposit	-	-	19,306,845	19,306,845	19,306,845
Lease liability	-	-	4,173,048	4,173,048	4,173,048
Other financial liabilities	-	-	8,598,076	8,598,076	8,598,076
	1,186,933	-	306,771,075	307,958,008	308,489,097

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2019.

KZT'000	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income	Measured at amortised cost	Gross carrying amount	Fair value
Cash and cash equivalents	-	-	56,942,175	56,942,175	56,942,175
Deposits and balances with banks	-	-	1,916,430	1,916,430	1,916,430
Loans to customers	-	-	332,943,998	332,943,998	339,904,666
Investment securities	-	20,771,135	-	20,771,135	20,771,135
Financial instruments at fair value through profit or loss	195,912	-	-	195,912	195,912
Other financial assets	-	-	3,020,898	3,020,898	3,020,898
	195,912	20,771,135	394,823,501	415,790,548	422,751,216
Financial instruments at fair value through profit or loss	2,714,267	-	-	2,714,267	2,714,267
Deposits and balances from banks	-	-	63,493,833	63,493,833	64,164,124
Current accounts and deposits from customers	-	-	172,202,147	172,202,147	173,319,423
Debt securities issued	-	-	40,447,348	40,447,348	40,022,407
Other borrowed funds	-	-	45,047,424	45,047,424	46,118,293
Certificates of deposit	-	-	19,834,825	19,834,825	19,834,825
Lease liabilities	-	-	3,426,397	3,426,397	3,426,397
Other financial liabilities	-	-	6,847,656	6,847,656	6,847,656
	2,714,267	-	351,299,630	354,013,897	356,447,392

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

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

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

The Bank uses widely recognised valuation models for determining the fair value of financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps.

The following assumptions are used by management to estimate the fair values of financial instruments:

- average market rates of 25.12%, 29.25% and 32.02% are used for discounting future cash flows from credit cards, consumer loans and cash loans, respectively (31 December 2019: 22.55%, 21.44% and 36.58%, respectively);
- discount rates of 0.1% –0.9% and 0.8% - 1.0% are used for discounting future cash flows from USD-denominated deposits of corporate and retail customers (31 December 2019: 0.3% - 1.5% and 1.1% - 1.4%), and 7.2% - 7.9% and 7.7% - 10.2% are used for discounting future cash flows from KZT-denominated deposits of corporate and retail customers, respectively (31 December 2019: 7.3% - 8.4% and 7.3% - 9.4%);
- discount rates of 0.2% - 7.9% are used for discounting future cash flows from USD and EUR-denominated deposits and balances from banks and other borrowed funds (31 December 2019: 1.15% – 7.9%) and 7.95% is used for discounting future cash flows from KZT-denominated deposits and balances from banks and other borrowed funds (31 December 2019: 8.52%);
- quoted market price is used for determination of fair value of debt securities issued.

(b) Fair value hierarchy

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

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

The table below analyses financial instruments measured at fair value 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 interim condensed statement of financial position:

	Unaudited	
	30 September 2020	31 December 2019
	KZT'000	KZT'000
	Level 1	
Investment securities		
- Pledged under repurchase agreements	-	13,268,098
	Level 2	
- Corporate bonds	7,549,165	7,503,037
	7,549,165	20,771,135
Financial instruments at fair value through profit or loss		
- Derivative assets	9,714,254	195,912
	9,714,254	195,912
- Derivative liabilities	1,186,933	2,714,267
	1,186,933	2,714,267

The table below analyses financial instruments not measured at fair value at 30 September 2020, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	Level 2	Level 3	Total fair value	Total carrying amount
Assets				
Cash and cash equivalents	77,051,204	-	77,051,204	77,051,204
Deposits and balances with banks and other financial institutions	1,083,563	-	1,083,563	1,083,563
Loans to customers	277,036,728	11,395,506	288,432,234	274,957,343
Other financial assets	1,918,142	-	1,918,142	1,918,142
Liabilities				
Deposits and balances from banks	35,938,421	-	35,938,421	35,837,125
Current accounts and deposits from customers	169,359,031	-	169,359,031	169,065,741
Debt securities issued	31,202,523	-	31,202,523	31,409,138
Other borrowed funds	38,724,220	-	38,724,220	38,381,102
Certificates of deposit	19,306,845	-	19,306,845	19,306,845
Lease liability under IFRS 16	4,173,048	-	4,173,048	4,173,048
Other financial liabilities	8,598,076	-	8,598,076	8,598,076

The table below analyses financial instruments not measured at fair value at 31 December 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	Level 2	Level 3	Total fair value	Total carrying amount
Assets				
Cash and cash equivalents	56,942,175	-	56,942,175	56,942,175
Deposits and balances with banks	1,916,430	-	1,916,430	1,916,430
Loans to retail customers	332,244,817	7,659,849	339,904,666	332,943,998
Other financial assets	3,020,898	-	3,020,898	3,020,898
Liabilities				
Deposits and balances from banks	64,164,124	-	64,164,124	63,493,833
Current accounts and deposits from customers	173,319,423	-	173,319,423	172,202,147
Debt securities issued	40,022,407	-	40,022,407	40,447,348
Other borrowed funds	46,118,293	-	46,118,293	45,047,424
Certificates of deposit	19,834,825	-	19,834,825	19,834,825
Other financial liabilities	6,847,656	-	6,847,656	6,847,656

25 Subsequent events

On 30 October 2020 the Bank fully repaid the last tranche of syndicated loan in the amount of USD 75 million before maturity.