

SB JSC “Bank Home Credit”

Condensed Interim
Financial Information
for the nine-month period
ended 30 September 2016

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SB JSC "Bank Home Credit"
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the nine-month period ended 30 September 2016

	Note	Unaudited nine-month period ended 30 Sep 2016 KZT'000	Unaudited nine-month period ended 30 Sep 2015 KZT'000	Unaudited three-month period ended 30 Sep 2016 KZT'000	Unaudited three-month period ended 30 Sep 2015 KZT'000
Interest income	4	26,712,414	23,916,189	9,409,379	8,201,240
Interest expense	4	(7,954,462)	(4,851,266)	(3,123,148)	(1,642,331)
Net interest income		18,757,952	19,064,923	6,286,231	6,558,909
Fee and commission income	5	12,671,626	12,230,540	4,639,313	4,243,510
Fee and commission expense	6	(881,578)	(914,898)	(320,425)	(293,742)
Net fee and commission income		11,790,048	11,315,642	4,318,888	3,949,768
Net (loss)/gain on financial instruments at fair value through profit or loss	7	(633,802)	5,452,997	(74,011)	6,268,087
Foreign exchange gain/(loss)		124,236	(7,304,871)	129,980	(6,765,802)
Other operating income/(loss), net		386,929	(86,579)	185,520	(80,772)
Operating income		30,425,363	28,442,112	10,846,608	9,930,190
Impairment losses	8	(1,732,574)	(8,435,152)	214,771	(2,104,277)
General administrative expenses	9	(13,928,977)	(10,899,309)	(4,547,501)	(3,810,616)
Profit before income tax		14,763,812	9,107,651	6,513,878	4,015,297
Income tax expense	10	(3,097,955)	(2,608,899)	(1,307,249)	(976,323)
Profit and total comprehensive income for the period		11,665,857	6,498,752	5,206,629	3,038,974

The condensed interim financial information as set out on pages 3 to 25 was approved by the Management on 31 October 2016 and was signed on its behalf by:


Andrei Kubik
Chairman of the Board


Gaukhar Massangaliyeva
Chief Accountant

SB JSC “Bank Home Credit”
Condensed Interim Statement of Financial Position as at 30 September 2016

		Unaudited	
		30 September	31 December
		2016	2015
	Note	KZT'000	KZT'000
ASSETS			
Cash and cash equivalents	11	12,515,321	13,190,286
Loans and advances to banks		1,654	1,952
Loans to customers	12	100,012,829	96,629,836
Financial assets held to maturity		13,179,883	-
Current tax assets		-	73,961
Property, equipment and intangible assets	13	6,648,164	5,880,416
Other assets		1,442,441	1,656,278
Total assets		133,800,292	117,432,729
LIABILITIES			
Financial instruments at fair value through profit or loss		61,903	-
Deposits and balances from banks	14	24,482,070	23,938,458
Current accounts and deposits from customers	15	56,570,025	44,301,944
Debt securities issued	16	13,977,115	13,891,769
Current tax liabilities		1,167,475	-
Deferred tax liability		6,254	155,210
Other liabilities		3,003,200	3,278,905
Total liabilities		99,268,042	85,566,286
EQUITY			
Share capital	17	5,199,503	5,199,503
Retained earnings	17	29,332,747	26,666,940
Total equity		34,532,250	31,866,443
Total liabilities and equity		133,800,292	117,432,729

SB JSC “Bank Home Credit”
Condensed Interim Statement of Cash Flows for the nine-month period ended 30 September 2016

	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	25,526,188	23,289,306
Interest payments	(5,611,852)	(4,072,236)
Fee and commission receipts	12,770,021	12,616,002
Fee and commission payments	(842,607)	(928,337)
Net (payments)/receipts from financial instruments at fair value through profit or loss	(571,899)	3,010,055
Net receipts/(payments) from foreign exchange transactions	343,704	(438,182)
Other income receipts/(payments), net	386,929	(86,579)
General administrative expenses	(12,220,344)	(9,530,551)
(Increase)/decrease in operating assets		
Loans and advances to banks	298	813
Loans to customers	(4,125,982)	(1,456,646)
Other assets	(190,458)	(101,814)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(1,354,908)	5,900,541
Current accounts and deposits from customers	11,945,242	647,600
Other liabilities	(4,909)	264,042
Net cash flow from operations before income tax paid	26,049,423	29,114,014
Income tax paid	(2,005,474)	(2,090,944)
Cash flows from operating activities	24,043,949	27,023,070
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets held to maturity	(13,179,883)	-
Purchases of property, equipment and intangible assets	(2,296,511)	(1,539,462)
Proceeds from sale of property and equipment	12,859	2,121
Cash flows used in investing activities	(15,463,535)	(1,537,341)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	-	(640,000)
Receipts of other borrowed funds	-	7,957,050
Repayment of other borrowed funds	-	(21,019,800)
Dividend payment	(9,000,050)	(6,002,481)
Cash flows used in financing activities	(9,000,050)	(19,705,231)
Net increase/(decrease) in cash and cash equivalents	(419,636)	5,780,498
Effect of changes in exchange rates on cash and cash equivalents	(255,329)	1,159,498
Cash and cash equivalents as at the beginning of the period	13,190,286	3,445,739
Cash and cash equivalents as at the end of the period (Note 11)	12,515,321	10,385,735

SB JSC “Bank Home Credit”
Condensed Interim Statement of Changes in Equity for the nine-month period ended 30 September 2016

KZT'000	Share capital	Retained earnings	Total equity
Balance as at 1 January 2015	5,199,503	24,183,279	29,382,782
Profit and total comprehensive income for the nine-month period (unaudited)	-	6,498,752	6,498,752
Dividend payments (unaudited)	-	(6,002,481)	(6,002,481)
Balance as at 30 September 2015 (unaudited)	<u>5,199,503</u>	<u>24,679,550</u>	<u>29,879,053</u>
Balance as at 1 January 2016	5,199,503	26,666,940	31,866,443
Profit and total comprehensive income for the nine-month period (unaudited)	-	11,665,857	11,665,857
Dividend payments (unaudited)	-	(9,000,050)	(9,000,050)
Balance as at 30 September 2016 (unaudited)	<u>5,199,503</u>	<u>29,332,747</u>	<u>34,532,250</u>

1 Background

(a) Organisation and operations

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

The principal activities of the Bank are retail lending, deposit taking and customer accounts maintenance, issuing guarantees, cash and settlement operations and foreign exchange. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”). The Bank holds license #1.2.36/40 dated 11 January 2016 to carry out banking activity and activity on securities market.

The registered address of the Bank’s head office is 248, Furmanov Street, Almaty, Republic of Kazakhstan, 050059. As at 30 September 2016, the Bank had 17 branches and 41 bank offices (31 December 2015: 17 branches and 41 bank offices).

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

As at 30 September 2016 the Bank was 100% owned by Home Credit and Finance Bank incorporated in the Russian Federation. The ultimate controlling owner of the Bank is Petr Kellner, who exercises control over Home Credit and Finance Bank through PPF Group N.V. registered in the Netherlands.

(b) Kazakhstan business environment

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

2 Basis of preparation

(a) Statement of compliance

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

2 Basis of preparation, continued

(b) Basis of measurement

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

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

(d) 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 condensed interim financial information. Financial information presented in KZT is rounded to the nearest thousand.

(e) Use of estimates and judgments

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

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

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

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

- financial instruments at fair value through profit or loss – Note 24;
- loan impairment estimates – Note 12.

3 Significant accounting policies

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

(a) Comparative information

Prior period reclassification

During the preparation of the Bank's condensed interim financial information for the nine-month period ended 30 September 2016, management made certain reclassifications affecting the corresponding figures to conform to the presentation of the condensed interim financial information for the nine-month period ended 30 September 2016.

In the condensed interim statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2015 part of professional services which comprises commissions paid to the First Credit Bureau and the State Centre of Pension Payments of the Republic of Kazakhstan for services on verification of information on Bank loan applicants in the amount of KZT 352,601 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 reclassifications do not impact the Bank's results or equity.

The effect of reclassifications on the corresponding figures can be summarised as follows:

KZT'000	As reclassified	Effect of reclassifications	As previously reported
Condensed interim statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2015			
Fee and commission expense	(914,898)	(352,601)	(562,297)
Other general administrative expenses	(10,899,309)	352,601	(11,251,910)
Condensed interim statement of cash flows for the nine-month period ended 30 September 2015			
Fee and commission payments	(928,337)	(352,601)	(575,736)
General administrative expenses	(9,530,551)	352,601	(9,883,152)

4 Net interest income

	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Interest income		
Loans to customers	25,748,350	23,916,183
Cash and cash equivalents	712,136	6
Financial assets held to maturity	251,928	-
	26,712,414	23,916,189
Interest expense		
Current accounts and deposits from customers	3,711,280	1,702,529
Deposits and balances from banks	3,217,328	918,767
Debt securities issued	1,025,854	1,018,021
Other borrowed funds	-	1,204,269
Subordinated loan	-	7,680
	7,954,462	4,851,266
	18,757,952	19,064,923

5 Fee and commission income

	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Commission income from insurance	8,997,913	8,654,701
Contractual penalties from customers	2,088,494	2,689,504
Fees from retailers	1,409,709	693,838
Card operations	89,638	91,025
Transfer operations	18,715	14,525
Cash withdrawal	1,810	2,338
Other	65,347	84,609
	12,671,626	12,230,540

6 Fee and commission expense

	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Commissions paid to partners	423,642	436,570
Commissions paid for verification services	275,284	352,601
Card processing	61,811	42,874
Deposit insurance fund contributions	55,819	23,911
Settlements	23,273	14,874
Other	41,749	44,068
	881,578	914,898

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

For the nine-month period ended 30 September 2016 the Bank recognised net gain on financial instruments at fair value through profit or loss on short-term currency swap operations concluded on Kazakhstan Stock Exchange in the amount of KZT 491,095 thousand (nine-month period ended 30 September 2015: net loss of KZT 3,010,055 thousand), net loss on short-term swap operations concluded with Home Credit and Finance Bank in the amount of KZT 1,057,994 thousand and net loss on long-term swap operations concluded with PPF Banka in the amount of KZT 66,903 thousand (nine-month period ended 30 September 2015 net gain on currency swap with the National Bank of the Republic of Kazakhstan equalled to KZT 2,442,942 thousand), unaudited.

8 Impairment losses

	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Loans to customers	1,585,714	8,447,642
Other assets	146,860	(12,490)
	1,732,574	8,435,152

9 General administrative expenses

	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Employee compensation and payroll related taxes	7,276,190	5,721,288
Depreciation and amortisation	1,412,916	1,191,239
Information technology	988,172	560,340
Collectors' services	803,033	563,440
Occupancy	738,372	707,612
Advertising and marketing	616,322	282,066
Telecommunication and postage	578,804	499,945
Taxes other than income tax	502,260	437,157
Professional services	492,043	550,223
Travel expenses	175,066	142,194
Other	345,799	243,805
	13,928,977	10,899,309

10 Income tax expense

	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Current tax expense		
Current tax expense	3,246,911	1,589,137
Current tax expense underprovided in prior periods	-	381,178
	3,246,911	1,970,315
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	(148,956)	638,584
Total income tax expense	3,097,955	2,608,899

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

Reconciliation of effective tax rate:

	Unaudited nine-month period ended 30 September 2016		Unaudited nine-month period ended 30 September 2015	
	KZT'000	%	KZT'000	%
Profit before income tax	14,763,812	100.0	9,107,651	100.0
Income tax at the applicable tax rate	2,952,762	20.0	1,821,530	20.0
Non-deductible costs	145,193	1.0	406,191	4.5
Underprovided in prior periods	-	-	381,178	4.2
	3,097,955	21.0	2,608,899	28.6

11 Cash and cash equivalents

	Unaudited 30 September 2016 KZT'000	31 December 2015 KZT'000
Cash on hand	3,058,558	2,296,857
Nostro accounts with the NBRK	285,517	5,950,930
Placements with NBRK due within one month	2,900,967	-
Nostro accounts with other banks		
- rated from BBB- to BBB+	6,134,189	4,835,277
- rated from BB- to BB+	96,590	68,379
- rated below B+	39,500	38,843
	12,515,321	13,190,286

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

No cash and cash equivalents were impaired or past due.

As at 30 September 2016 the Bank had exposure towards one banking counterparty (31 December 2015: two banking counterparties) exceeding 10% of the Bank's equity with the gross value of KZT 6,134,189 thousand (31 December 2015: KZT 10,683,127 thousand).

12 Loans to customers

	Unaudited 30 September 2016 KZT'000	31 December 2015 KZT'000
Cash loans	74,607,237	75,329,100
POS loans	29,722,374	31,127,604
Credit cards	3,424,880	1,416,467
Total loans	107,754,491	107,873,171
Impairment allowance	(7,741,662)	(11,243,335)
Net loans	100,012,829	96,629,836

Movements in the loan impairment allowance by classes of loans to customers for the nine-month period ended 30 September 2016 were as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the nine-month period	8,015,372	3,096,131	131,832	11,243,335
Net charge	339,812	1,078,395	167,507	1,585,714
Net write offs	(3,239,838)	(1,761,360)	(86,189)	(5,087,387)
Balance at the end of the nine-month period	5,115,346	2,413,166	213,150	7,741,662

Movements in the loan impairment allowance by classes of loans to customers for the nine-month period ended 30 September 2015 were as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the nine-month period	10,477,012	2,087,839	163,126	12,727,977
Net charge	6,016,373	2,337,945	93,324	8,447,642
Net write-offs	(7,534,913)	(1,121,230)	(111,660)	(8,767,803)
Balance at the end of the nine-month period	8,958,472	3,304,554	144,790	12,407,816

12 Loans to customers, continued**(a) Credit quality of loans to customers**

The following table provides information on the credit quality of loans to customers as at 30 September 2016:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans %
Loans to individuals				
- not overdue	94,196,715	(762,457)	93,434,258	0.81
- overdue less than 90 days	6,278,700	(2,120,556)	4,158,144	33.77
- overdue 90-360 days	7,279,076	(4,858,649)	2,420,427	66.75
Total loans to individuals	107,754,491	(7,741,662)	100,012,829	7.18

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

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

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 30 September 2016 total impairment allowance to non-performing loans was 106% (31 December 2015: 101%).

Loans overdue for 360 days are written off.

(b) Key assumptions and judgments for estimating loan impairment

The Bank estimates loan impairment for loans to individuals based on its past historical loss experience on each type of loan. Significant assumptions used by management in determining impairment losses for loans to individuals include loss migration rates which are consistent with recent experience and can be estimated based on the historical loss migration pattern for the past twelve months. Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loan impairment allowance on loans to customers as at 30 September 2016 would be KZT 1,000,128 thousand lower/higher (31 December 2015: KZT 966,298 thousand).

(c) Loan collateral

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

(d) Significant credit exposures

As at 30 September 2016, the Bank had no borrowers whose loan balances exceeded 10% of the Bank's equity (31 December 2015: none).

13 Property, equipment and intangible assets

	Unaudited 30 September 2016 KZT'000	31 December 2015 KZT'000
Acquisition cost	10,620,434	8,681,263
Accumulated depreciation and amortisation	(3,972,270)	(2,800,847)
Carrying amount	6,648,164	5,880,416

There were no capitalised borrowing costs related to the acquisition or construction of property and equipment during the nine-month period ended 30 September 2016 or for the year ended 31 December 2015.

14 Deposits and balances from banks

	Unaudited 30 September 2016 KZT'000	31 December 2015 KZT'000
Vostro accounts	4,346	34,975
Term deposits	24,477,724	23,903,483
	24,482,070	23,938,458

As at 30 September 2016 the Bank had two counterparties whose balances exceeded 10% of the Bank's equity and amounted to KZT 11,357,682 thousand (31 December 2015: one counterparty whose balances amounted to KZT 21,836,815 thousand).

15 Current accounts and deposits from customers

	Unaudited 30 September 2016 KZT'000	31 December 2015 KZT'000
Current accounts and demand deposits		
- Retail	6,456,466	8,982,845
- Corporate	1,432,473	3,736,131
Term deposits		
- Retail	21,073,443	9,100,456
- Corporate	27,607,643	22,482,512
	56,570,025	44,301,944

As at 30 September 2016 the Bank had one customer whose balances exceeded 10% of the Bank's equity and amounted to KZT 4,741,430 thousand (31 December 2015: one customer whose balances amounted to KZT 3,400,300 thousand).

16 Debt securities issued

	<u>Maturity</u>	<u>Coupon rate, %</u>	<u>Unaudited 30 September 2016 KZT'000</u>	<u>31 December 2015 KZT'000</u>
Unsecured KZT denominated bonds of the 1 st issue program 1*	November 2016	8.5	7,227,723	7,009,921
Unsecured KZT denominated bonds of the 1 st issue program 2*	February 2019	9.5	6,749,392	6,881,848
			<u>13,977,115</u>	<u>13,891,769</u>

* Quoted on the Kazakhstan Stock Exchange.

17 Equity**(a) Issued capital**

As at 30 September 2016 the authorised share capital comprised 160,240 ordinary shares (31 December 2015: 160,240 ordinary shares) and issued and outstanding share capital comprised 34,890 ordinary shares (31 December 2015: 34,890 ordinary shares). The shares do not have nominal value.

(b) Dividends

In accordance with Kazakhstan legislation the distributable dividend amount is limited to the balance of retained earnings including net profit for the year as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency. Under Kazakhstan legislation, as at the reporting date, reserves available for distribution amounted to KZT 29,332,747 thousand (31 December 2015: KZT 26,666,940 thousand).

During the nine-month period ended 30 September 2016 dividends of KZT 9,000,050 thousand (KZT 257,955 per share), unaudited for the year ended 31 December 2015 were declared and paid in accordance with the decisions of the Bank's sole shareholder (31 December 2015: KZT 6,002,481 thousand, KZT 172,040.2 per share).

18 Book value per share

The calculation of book value per share as at 30 September 2016 is based on number of outstanding ordinary shares of 34,890 (31 December 2015: 34,890) and net assets calculated in accordance with the Listing of Kazakhstan Stock Exchange as follows:

	Unaudited 30 September 2016 KZT'000	31 December 2015 KZT'000
Total assets	133,800,292	117,432,729
Intangible assets	(4,052,289)	(3,256,120)
Total liabilities	(99,268,042)	(85,566,286)
Net assets	30,479,961	28,610,323

The following table shows the book value per share calculations:

	Unaudited 30 September 2016	31 December 2015
Net assets, KZT'000	30,479,961	28,610,323
Outstanding number of ordinary shares at the end of the period	34,890	34,890
Book value per share, KZT	873,602	820,015

19 Earnings per share

The calculation of basic earnings per share for the nine-month periods ended 30 September 2016 and 2015 is based on the net profit for the nine-month period attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

	Unaudited nine-month period ended 30 September 2016	Unaudited nine-month period ended 30 September 2015
Net profit attributable to ordinary shareholders, KZT'000	11,665,857	6,498,752
Weighted average number of ordinary shares	34,890	34,890
Earnings per share, KZT	334,361	186,264

There are no potentially dilutive shares for the nine-month periods ended 30 September 2016 or 30 September 2015.

20 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the NBRK the Bank has to maintain: a ratio of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 30 September 2016 and 31 December 2015 the minimum level of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk was 0.050 and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 0.075. The Bank was in compliance with the statutory capital requirements as at 30 September 2016, unaudited and 31 December 2015.

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

	30 September 2016 KZT’000	31 December 2015 KZT’000
Tier 1 capital		
Share capital	5,199,503	5,199,503
Retained earnings of prior years	17,666,890	18,180,798
Profit for the period	11,665,857	8,486,142
Intangible assets	(4,052,289)	(3,256,120)
Total tier 1 capital	30,479,961	28,610,323
Total tier 2 capital	-	-
Total capital	30,479,961	28,610,323
Total credit risk-weighted assets	123,111,446	100,907,801
Total credit risk-weighted assets and liabilities, including market and operational risk	146,918,659	132,060,724
Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)	0.207	0.217
Total tier 1 capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital ratio)	0.207	0.217

21 Commitments

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

	30 September 2016 KZT'000	31 December 2015 KZT'000
Contracted amount		
Loan and credit line commitments	2,822,039	1,802,165
	2,822,039	1,802,165

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

As at 30 September 2016 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank's equity (31 December 2015: none).

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

As the Bank acts as an intermediary for the payment of this compensation, potential obligations relating to this compensation estimated at KZT 627,741 thousand at the reporting date were not recognised in the condensed interim statement of financial position as at 30 September 2016 (unaudited).

22 Operating leases

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

During the nine-month period ended 30 September 2016 KZT 664,732 thousand was recognized as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (nine-month period ended 30 September 2015: KZT 634,495 thousand).

As at 30 September 2016 the Bank reported KZT 1,509 thousands of prepayments included in the balance of other assets serving as security deposits in case of an early termination of lease agreements (31 December 2015: KZT 1,243 thousand).

23 Related party transactions

(a) Control relationships

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

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

Total remuneration included in personnel expenses for the nine-month periods ended 30 September 2016 and 2015 was as follows:

	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Members of the Board of Directors	193,804	85,400
Members of the Management Board	382,596	219,489
	576,400	304,889

The outstanding balances and average interest rates as at 30 September 2016 and 31 December 2015 for transactions with members of the Board of Directors and the Management Board were as follows:

	Unaudited 30 September 2016 KZT'000	Average interest rate, %	31 December 2015 KZT'000	Average interest rate, %
Statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	204,539	1.69	27,164	0.01

Total amounts included in profit or loss in relation to transactions with members of the Board of Directors and the Management Board for the nine-month periods ended 30 September 2016 and 2015 were as follows:

	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Statement of profit or loss and other comprehensive income		
Interest expense	198	103
	198	103

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

As at 30 September 2016 and 31 December 2015 balances with the parent included in the statement of financial position were as follows:

Statement of financial position	Unaudited 30 September 2016 KZT'000	Average interest rate, %	31 December 2015 KZT'000	Average interest rate, %
ASSETS				
Cash and cash equivalents				
-In USD	121	-	122	-
-In EUR	119	-	118	-
-In RUB	39	-	37	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	7,857,347	31.50	21,836,815	19.70
-In USD	335	-	-	-

During the nine-month periods ended 30 September 2016 and 2015 transactions with the parent included in the statement of profit or loss and other comprehensive income were as follows:

Statement of profit or loss and other comprehensive income	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Interest expense		
Deposits and balances from banks		
-In KZT	2,311,932	-
-In USD	-	-
	2,311,932	-
Other borrowed funds		
-In KZT	-	-
-In USD	-	239,295
	-	239,295
Fee and commission expense		
Other fee and commission expense		
-In KZT	-	18,445
	-	18,445

23 Related party transactions, continued

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

As at 30 September 2016 and 31 December 2015 balances with entities controlled by the ultimate controlling owner included in the statement of financial position were as follows:

Statement of financial position	Unaudited 30 September 2016 KZT'000	Average interest rate, %	31 December 2015 KZT'000	Average interest rate, %
ASSETS				
Property, equipment and intangible assets				
-In KZT	2,778,437	-	2,465,725	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	587,203	17.38	520,845	14.93
Current accounts and deposits from customers				
-In KZT	658,372	-	652,479	8.00
Financial instruments at fair value through profit or loss				
-In KZT	61,903	-	-	-
Other financial liabilities				
-In EUR	102,005	-	301,888	-

During the nine-month periods ended 30 September 2016 and 2015 transactions with entities controlled by the ultimate controlling owner included in the condensed interim statement of profit or loss and other comprehensive income were as follows:

Statement of profit or loss and other comprehensive income	Unaudited nine-month period ended 30 September 2016 KZT'000	Unaudited nine-month period ended 30 September 2015 KZT'000
Interest income		
Loans and advances to banks		
-In USD	48,575	-
	48,575	-
Interest expense		
Deposits and balances from banks		
-In KZT	69,572	239,200
-In USD	-	2,346
Current accounts and deposits from customers		
-In KZT	8,948	37,372
Other borrowed funds		
-In KZT	-	552,592
-In USD	-	412,383
Subordinated loan		
-In KZT	-	7,680
	78,520	1,251,573
General administrative expenses		
General administrative expenses	1,680,073	1,168,559

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 2016:

KZT'000	Designated at fair value	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash equivalents	-	9,456,763	-	9,456,763	9,456,763
Loans and advances to banks	-	1,654	-	1,654	1,654
Loans to customers	-	100,012,829	-	100,012,829	100,012,829
Financial assets held to maturity	-	13,179,883	-	13,179,883	13,179,883
Other financial assets	-	830,294	-	830,294	830,294
		123,481,423		123,481,423	123,481,423
Deposits and balances from banks	-	-	24,482,070	24,482,070	25,564,464
Current accounts and deposits from customers	-	-	56,570,025	56,570,025	59,999,668
Debt securities issued	-	-	13,977,115	13,977,115	13,757,683
Financial instruments at fair value through profit and loss	61,903	-	-	61,903	61,903
Other financial liabilities	-	-	1,207,479	1,207,479	1,207,479
	61,903	-	96,236,689	96,298,592	100,591,197

(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 2015:

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

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

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

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

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

(b) Fair value hierarchy

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

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- 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;

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

- 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.