

**SB JSC “Bank Home Credit”**

Interim Condensed  
Financial Information  
for the six-month period  
ended 30 June 2017

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## **Independent Auditors' Report on Review of Interim Condensed Financial Information**

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

### ***Introduction***

We have reviewed the accompanying interim condensed statement of financial position of SB JSC "Bank Home Credit" (the "Bank") as at 30 June 2017, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed financial information (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information as at 30 June 2017 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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



### KPMG Audit LLC

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

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



21 August 2017

**SB JSC "Bank Home Credit"**  
*Interim Condensed Statement of Profit or Loss and Other Comprehensive Income*  
*for the six-month period ended 30 June 2017*

	Note	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
Interest income	4	24,460,513	17,303,035
Interest expense	4	(6,954,617)	(4,831,314)
<b>Net interest income</b>		<b>17,505,896</b>	<b>12,471,721</b>
Fee and commission income	5	7,081,582	8,126,776
Fee and commission expense	6	(766,796)	(561,153)
<b>Net fee and commission income</b>		<b>6,314,786</b>	<b>7,565,623</b>
Net loss on financial instruments at fair value through profit or loss	7	(778,117)	(559,791)
Net foreign exchange gain (loss)		213,220	(5,744)
Other operating income, net		174,313	106,946
<b>Operating income</b>		<b>23,430,098</b>	<b>19,578,755</b>
Impairment recoveries (losses)	8	987,971	(1,947,345)
General administrative expenses	9	(10,555,438)	(9,381,476)
<b>Profit before income tax</b>		<b>13,862,631</b>	<b>8,249,934</b>
Income tax expense	10	(2,931,735)	(1,790,706)
<b>Profit and total comprehensive income for the period</b>		<b>10,930,896</b>	<b>6,459,228</b>
Earnings per share, in KZT (basic and diluted)	20	313,296	185,131

The interim condensed financial information as set out on pages 5 to 29 was approved by the Management on 21 August 2017 and was signed on its behalf by:

  
 Omid Kubik  
 Chairman of the Board



  
 Gaukhar Massangaliyeva  
 Chief Accountant

**SB JSC “Bank Home Credit”**  
Interim Condensed Statement of Financial Position as at 30 June 2017

	Note	<b>Unaudited 30 June 2017 KZT'000</b>	<b>31 December 2016 KZT'000</b>
<b>ASSETS</b>			
Cash and cash equivalents	11	15,948,224	16,428,817
Loans to customers	12	133,118,660	117,697,312
Property, equipment and intangible assets	13	7,549,886	6,822,854
Other assets		3,258,470	2,420,361
<b>Total assets</b>		<b>159,875,240</b>	<b>143,369,344</b>
<b>LIABILITIES</b>			
Financial instruments at fair value through profit or loss	14	1,048,168	212,431
Deposits and balances from banks	15	14,284,488	20,276,333
Current accounts and deposits from customers	16		
- Current accounts and deposits from corporate customers		33,493,984	34,129,269
- Current accounts and deposits from retail customers		50,908,461	39,389,258
Debt securities issued	17	17,058,179	6,920,282
Certificates of deposit		550,983	318,616
Other liabilities		4,414,286	5,937,345
<b>Total liabilities</b>		<b>121,758,549</b>	<b>107,183,534</b>
<b>EQUITY</b>			
Share capital	18	5,199,503	5,199,503
Retained earnings	18	32,917,188	30,986,307
<b>Total equity</b>		<b>38,116,691</b>	<b>36,185,810</b>
<b>Total liabilities and equity</b>		<b>159,875,240</b>	<b>143,369,344</b>
Book value per share, in KZT	19	967,352	916,989

**SB JSC “Bank Home Credit”**  
Interim Condensed Statement of Cash Flows for the six-month period ended 30 June 2017

	<b>Unaudited six-month period ended 30 June 2017 KZT'000</b>	<b>Unaudited six-month period ended 30 June 2016 KZT'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	24,931,971	16,803,945
Interest payments	(6,157,473)	(3,623,590)
Fee and commission receipts	6,393,924	8,367,024
Fee and commission payments	(755,772)	(535,030)
Net receipts (payments) from financial instruments at fair value through profit or loss	57,621	(559,791)
Net (payments) receipts from foreign exchange transactions	(273,639)	441,444
Other income receipts, net	174,313	106,946
General administrative expenses	(9,588,775)	(8,586,070)
<b>(Increase) decrease in operating assets</b>		
Loans and advances to banks	61	176
Loans to customers	(16,511,226)	2,975,283
Other assets	(96,909)	25,513
<b>Increase (decrease) in operating liabilities</b>		
Deposits and balances from banks	(6,442,308)	(6,499,031)
Current accounts and deposits from customers	11,219,004	5,872,657
Certificates of deposit	196,100	-
Other liabilities	175,499	5,200
<b>Net cash flows from operations before income tax paid</b>	<b>3,322,391</b>	<b>14,794,676</b>
Income tax paid	(3,019,019)	(1,304,486)
<b>Cash flows from operating activities</b>	<b>303,372</b>	<b>13,490,190</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, equipment and intangible assets	(1,771,282)	(1,787,439)
Proceeds from sale of property and equipment	8,169	9,025
<b>Cash flows used in investing activities</b>	<b>(1,763,113)</b>	<b>(1,778,414)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from the debt securities issue	10,000,000	-
Dividends paid	(9,000,015)	(9,000,050)
<b>Cash flows from (used in) financing activities</b>	<b>999,985</b>	<b>(9,000,050)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(459,756)</b>	<b>2,711,726</b>
Effect of changes in exchange rates on cash and cash equivalents	(20,837)	(125,568)
Cash and cash equivalents as at the beginning of the period	16,428,817	13,190,286
<b>Cash and cash equivalents as at the end of the period</b> (Note 11)	<b>15,948,224</b>	<b>15,776,444</b>

**SB JSC “Bank Home Credit”**  
*Interim Condensed Statement of Changes in Equity for the six-month period ended 30 June 2017*

<b>KZT'000</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance as at 1 January 2016	5,199,503	26,666,940	31,866,443
Profit and total comprehensive income for the six-month period (unaudited)	-	6,459,228	6,459,228
Dividends paid (unaudited)	-	(9,000,050)	(9,000,050)
<b>Balance as at 30 June 2016 (unaudited)</b>	<b>5,199,503</b>	<b>24,126,118</b>	<b>29,325,621</b>
Balance as at 1 January 2017	5,199,503	30,986,307	36,185,810
Profit and total comprehensive income for the six-month period (unaudited)	-	10,930,896	10,930,896
Dividends paid (unaudited)	-	(9,000,015)	(9,000,015)
<b>Balance as at 30 June 2017 (unaudited)</b>	<b>5,199,503</b>	<b>32,917,188</b>	<b>38,116,691</b>



## 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 June 2017, the Bank had 17 branches and 41 bank offices (31 December 2016: 17 branches and 41 bank offices).

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

As at 30 June 2017 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 interim condensed 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 interim condensed 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 a complete set of IFRS financial statements and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2016, as this interim condensed financial information provides an update of previously reported financial information.

## 2 Basis of preparation, continued

### (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 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 interim condensed financial information in conformity with IAS 34 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 interim condensed 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 2016.

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

- loan impairment estimates – Note 12 (b);
- estimates of fair value of financial instruments – Note 26.

## 3 Significant accounting policies

The accounting policies applied by the Bank in this interim condensed financial information are consistent with those applied by the Bank in its financial statements for the year ended 31 December 2016.

### (a) Comparative information

#### *Prior period reclassification*

During the preparation of the Bank’s interim condensed financial information for the six-month period ended 30 June 2017, management made certain reclassifications affecting the comparative information to conform it to the presentation of the interim condensed financial information for the six-month period ended 30 June 2017.

### 3 Significant accounting policies, continued

#### (a) Comparative information, continued

##### *Prior period reclassification, continued*

In the comparative information for the six-month period ended 30 June 2016 in the interim condensed statement of profit or loss and other comprehensive income other income from customers due to early repayment of loans in the amount of KZT 94,463 thousand was reclassified from other operating income to fee and commission income. Corresponding reclassification was also made in the comparative information in the interim condensed statement of cash flows. Management believes that this presentation is more appropriate presentation in accordance with IFRS. The effect of reclassifications on the corresponding figures can be summarised as follows:

KZT'000	As reclassified	Effect of reclassifications	As previously reported
<b>Interim condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2016</b>			
Other operating income, net	106,946	(94,463)	201,409
Fee and commission income	8,126,776	94,463	8,032,313
<b>Interim condensed statement of cash flows for the six-month period ended 30 June 2016</b>			
Other income receipts, net	106,946	(94,463)	201,409
Fee and commission receipts	8,367,024	94,463	8,272,561

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

### 4 Net interest income

	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
<b>Interest income</b>		
Loans to customers	23,884,046	16,794,367
Cash and cash equivalents	576,467	508,668
	<b>24,460,513</b>	<b>17,303,035</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	5,235,429	2,020,573
Deposits and balances from banks	1,214,471	2,128,645
Debt securities issued	467,912	682,096
Certificates of deposit	36,805	-
	<b>6,954,617</b>	<b>4,831,314</b>
	<b>17,505,896</b>	<b>12,471,721</b>

**5 Fee and commission income**

	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
Commission income from insurance	4,880,674	5,317,161
Fees from retailers	1,071,627	743,671
Contractual penalties from customers	642,200	1,858,554
Card operations	58,421	61,331
Transfer operations	26,347	12,384
Cash withdrawal	950	1,131
Other	401,363	132,544
	<b>7,081,582</b>	<b>8,126,776</b>

**6 Fee and commission expense**

	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
Commissions paid to partners	324,671	278,756
Commissions paid for verification services	259,741	170,588
Deposit insurance fund contributions	92,113	32,473
Card processing	67,146	34,478
Settlements	16,653	16,570
Other	6,472	28,288
	<b>766,796</b>	<b>561,153</b>

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

For the six-month period ended 30 June 2017 the Bank recognised net gain on financial instruments at fair value through profit or loss on short-term currency swap operations concluded on the Kazakhstan stock exchange in the amount of KZT 57,621 thousand (six-month period ended 30 June 2016: net gain of KZT 498,203 thousand, unaudited), and net loss on 1-year currency swap operations concluded with PPF Bank A.S. in the amount of KZT 835,738 thousand (Note 14) (six-month period ended 30 June 2016: net loss on short-term swap operations concluded with Home Credit and Finance Bank equalled to KZT 1,057,994 thousand), unaudited.

**8 Impairment recoveries (losses)**

	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
Loans to customers	1,067,567	(1,888,680)
Other assets	(79,596)	(58,665)
	<b>987,971</b>	<b>(1,947,345)</b>

## 9 General administrative expenses

	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
Employee compensation and payroll related taxes	5,592,107	4,852,953
Depreciation and amortisation	1,146,549	909,529
Information technology	815,872	622,071
Collectors' services	566,809	524,880
Occupancy	549,730	493,322
Telecommunication and postage	482,541	381,095
Professional services	422,334	415,557
Taxes other than income tax	364,918	355,528
Advertising and marketing	217,545	478,984
Travel expenses	155,534	114,097
Other	241,499	233,460
	<b>10,555,438</b>	<b>9,381,476</b>

## 10 Income tax expense

	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
<b>Current tax expense</b>		
Current tax expense	3,086,072	1,835,350
Current tax expense overprovided in prior periods	(21,847)	-
	<b>3,064,225</b>	<b>1,835,350</b>
<b>Deferred tax expense</b>		
Deferred taxation movement due to origination and reversal of temporary differences	(132,490)	(44,644)
<b>Total income tax expense</b>	<b>2,931,735</b>	<b>1,790,706</b>

In 2017, the applicable tax rate for current and deferred tax is 20% (2016: 20%).

### Reconciliation of effective tax rate:

	Unaudited six-month period ended 30 June 2017 KZT'000	%	Unaudited six-month period ended 30 June 2016 KZT'000	%
<b>Profit before income tax</b>	<b>13,862,631</b>		<b>8,249,934</b>	
Income tax at the applicable tax rate	2,772,526	20.0	1,649,987	20.0
Non-deductible costs	181,056	1.3	140,719	1.7
Overprovided in prior periods	(21,847)	(0.2)	-	-
	<b>2,931,735</b>	<b>21.1</b>	<b>1,790,706</b>	<b>21.7</b>

## 11 Cash and cash equivalents

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Cash on hand	3,397,066	3,850,221
Nostro accounts with the NBRK	302,073	465,487
Placements with NBRK due within three months	9,602,533	10,406,356
<b>Nostro accounts with other banks:</b>		
- rated from A- to A+	2,528,855	-
- rated from BBB- to BBB	-	561,490
- rated from BB- to BB+	38,922	68,977
- rated below B+	78,775	75,298
<b>Placements with banks</b>		
- rated below B	-	1,000,988
	<b>15,948,224</b>	<b>16,428,817</b>

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 June 2017 the Bank had exposure towards one banking counterparty (31 December 2016: one banking counterparty) exceeding 10% of the Bank's equity with the gross value of KZT 9,904,606 thousand, unaudited (31 December 2016: KZT 10,871,843 thousand).

## 12 Loans to customers

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>Loans to individuals</b>		
Cash loans	81,506,817	73,549,504
POS loans	49,216,009	44,948,116
Credit cards	8,672,578	5,997,194
<b>Total loans to individuals</b>	<b>139,395,404</b>	<b>124,494,814</b>
Impairment allowance	(6,276,744)	(6,797,502)
<b>Net loans to individuals</b>	<b>133,118,660</b>	<b>117,697,312</b>

Movements in the loan impairment allowance by classes of loans to customers for the six-month period ended 30 June 2017, unaudited were as follows:

	<b>Cash</b>	<b>POS</b>	<b>Credit</b>	<b>Total</b>
	<b>loans</b>	<b>loans</b>	<b>cards</b>	<b>Total</b>
	<b>KZT'000</b>	<b>KZT'000</b>	<b>KZT'000</b>	<b>KZT'000</b>
Balance at the beginning of the six-month period	4,071,398	2,479,704	246,400	6,797,502
Net (reversals) charge	(2,019,306)	822,030	129,709	(1,067,567)
Net (write-offs) recoveries	1,078,295	(420,752)	(110,734)	546,809
<b>Balance at the end of the six-month period</b>	<b>3,130,387</b>	<b>2,880,982</b>	<b>265,375</b>	<b>6,276,744</b>

## 12 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the six-month period ended 30 June 2016, unaudited were as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the six-month period	8,015,372	3,096,131	131,832	11,243,335
Net charge	916,271	865,525	106,884	1,888,680
Net write-offs	(2,878,107)	(1,472,404)	(72,387)	(4,422,898)
<b>Balance at the end of the six-month period</b>	<b>6,053,536</b>	<b>2,489,252</b>	<b>166,329</b>	<b>8,709,117</b>

### (a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 30 June 2017, unaudited:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans %
<b>Loans to individuals</b>				
- not overdue	126,328,574	(660,288)	125,668,286	0.52
- overdue less than 90 days	6,677,035	(1,755,343)	4,921,692	26.29
- overdue 90-360 days	6,389,795	(3,861,113)	2,528,682	60.43
<b>Total loans to individuals</b>	<b>139,395,404</b>	<b>(6,276,744)</b>	<b>133,118,660</b>	<b>4.50</b>

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans %
<b>Loans to individuals</b>				
- not overdue	112,384,312	(787,558)	111,596,754	0.70
- overdue less than 90 days	5,615,726	(1,768,196)	3,847,530	31.49
- overdue 90-360 days	6,494,776	(4,241,748)	2,253,028	65.31
<b>Total loans to individuals</b>	<b>124,494,814</b>	<b>(6,797,502)</b>	<b>117,697,312</b>	<b>5.46</b>

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 30 June 2017 total impairment allowance to non-performing loans was 98% (31 December 2016: 105%).

Share of impairment allowance to gross loans has decreased as a result of substantially improved ageing structure of portfolio reflected in decrease of NPL from 10.30% as at 31 December 2015 down to 5.22% as at 31 December 2016 and down to 4.58% as at 30 June 2017.

	Unaudited 30 June 2017 KZT'000	31 December 2016 KZT'000
Total gross loans to individuals	139,395,404	124,494,814
- overdue 90-360 days (non-performing loans)	6,389,795	6,494,776
<b>NPL, %</b>	<b>4.58</b>	<b>5.22</b>

Loans overdue for 360 days are written off.

## 12 Loans to customers, continued

### (b) Key assumptions and judgments for estimating loan impairment

The Bank estimates loan impairment for loans to individuals based on its past historical loss experience on each type of loan. Significant assumptions used by management in determining impairment losses for loans to individuals include loss migration rates which are consistent with recent experience and can be estimated based on the historical loss migration pattern for the past twelve months. Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loan impairment allowance on loans to customers as at 30 June 2017 would be KZT 1,331,187 thousand lower/higher, unaudited (31 December 2016: KZT 1,176,973 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 June 2017, the Bank had no borrowers whose loan balances exceeded 10% of the Bank's equity, unaudited (31 December 2016: none).

## 13 Property, equipment and intangible assets

	Unaudited 30 June 2017 KZT'000	31 December 2016 KZT'000
Acquisition cost	12,857,897	11,163,696
Accumulated depreciation and amortisation	(5,308,011)	(4,340,842)
<b>Carrying amount</b>	<b>7,549,886</b>	<b>6,822,854</b>

There were no capitalised borrowing costs related to the acquisition or construction of property and equipment during the six-month period ended 30 June 2017, unaudited or for the year ended 31 December 2016.

## 14 Financial instruments at fair value through profit or loss

Type of instrument	Notional amount	Maturity	Payments to be made by the Bank	Payments to be received by the Bank	Unaudited Fair value liability, KZT'000
Foreign currency swap	USD 20,000,000	19/09/2017	KZT 7,677,000 thousand at maturity	USD 20,000,000 at maturity	1,048,168

As at 30 June 2017, financial instruments at fair value through profit or loss include a currency swap agreement signed in September 2016 with PPF Banka, under which the Bank should deliver KZT 7,677,000 thousand in 2017 in exchange for USD 20,000 thousand. The resultant unrealised gains and losses on these unmatured contracts, together with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate (Note 7)



## 15 Deposits and balances from banks

	<b>Unaudited</b>	<b>31 December 2016</b>
	<b>30 June 2017</b>	<b>KZT'000</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Vostro accounts	4,503	2,802
Term deposits	14,279,985	20,273,531
	<b>14,284,488</b>	<b>20,276,333</b>

As at 30 June 2017 the Bank had no counterparties (31 December 2016: none) whose balances exceeded 10% of the Bank's equity, unaudited.

## 16 Current accounts and deposits from customers

	<b>Unaudited</b>	<b>31 December 2016</b>
	<b>30 June 2017</b>	<b>KZT'000</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Corporate		
- Current accounts	298,615	1,104,082
- Term deposits	33,195,369	33,025,187
<b>Current accounts and deposits from corporate customers</b>	<b>33,493,984</b>	<b>34,129,269</b>
Retail		
- Current accounts	6,866,495	7,182,385
- Term deposits	44,041,966	32,206,873
<b>Current accounts and deposits from retail customers</b>	<b>50,908,461</b>	<b>39,389,258</b>
	<b>84,402,445</b>	<b>73,518,527</b>

As at 30 June 2017 the Bank had one customer whose balances exceeded 10% of the Bank's equity and amounted to KZT 4,404,372 thousand, unaudited (31 December 2016: one customer whose balances amounted to KZT 5,231,356 thousand).

## 17 Debt securities issued

			<b>Unaudited</b>	<b>31 December 2016</b>
	<b>Maturity</b>	<b>Coupon</b>	<b>30 June 2017</b>	<b>KZT'000</b>
		<b>rate, %</b>	<b>KZT'000</b>	<b>KZT'000</b>
Unsecured KZT denominated bonds of the 1 <sup>st</sup> issue program 2*	February 2019	9.5	6,940,989	6,920,282
Unsecured KZT denominated bonds of the 2 <sup>nd</sup> issue program 2*	May 2020	15.0	10,117,190	-
			<b>17,058,179</b>	<b>6,920,282</b>

\* Quoted on the Kazakhstan Stock Exchange.

## 18 Equity

### (a) Issued capital

As at 30 June 2017 the authorised share capital comprised 160,240 ordinary shares (31 December 2016: 160,240 ordinary shares) and issued and outstanding share capital comprised 34,890 ordinary shares (31 December 2016: 34,890 ordinary shares). The shares do not have nominal value.

## 18 Equity, continued

### (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 32,917,188 thousand, unaudited (31 December 2016: KZT 30,986,307 thousand).

During the six-month period ended 30 June 2017 dividends of KZT 9,000,015 thousand (KZT 257,954 per share), unaudited for the year ended 31 December 2016 were declared and paid in accordance with the decisions of the Bank's sole shareholder (31 December 2016: KZT 13,000,037 thousand, KZT 372,600.7 per share).

## 19 Book value per share

The calculation of book value per share as at 30 June 2017 is based on number of outstanding ordinary shares of 34,890 (31 December 2016: 34,890) and net assets calculated in accordance with the Listing rules of Kazakhstan Stock Exchange as follows:

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Total assets	159,875,240	143,369,344
Intangible assets	(4,365,770)	(4,192,050)
Total liabilities	(121,758,549)	(107,183,534)
<b>Net assets</b>	<b>33,750,921</b>	<b>31,993,760</b>

The following table shows the book value per share calculations:

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>30 June 2017</b>	<b>31 December 2016</b>
Net assets, KZT'000	33,750,921	31,993,760
Outstanding number of ordinary shares at the end of the period	34,890	34,890
<b>Book value per share, KZT</b>	<b>967,352</b>	<b>916,989</b>

## 20 Earnings per share

The calculation of basic earnings per share for the six-month periods ended 30 June 2017 and 2016 is based on the net profit for the six-month period attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>six-month</b>	<b>six-month</b>
	<b>period ended</b>	<b>period ended</b>
	<b>30 June 2017</b>	<b>30 June 2016</b>
Net profit attributable to ordinary shareholders, KZT'000	10,930,896	6,459,228
Weighted average number of ordinary shares	34,890	34,890
<b>Earnings per share, KZT</b>	<b>313,296</b>	<b>185,131</b>

There are no potentially dilutive shares for the six-month periods ended 30 June 2017 or 30 June 2016.

## 21 Risk management

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

### Credit risk

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

The credit policy establishes:

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

The Portfolio reporting unit develops scoring models and data verification procedures for credit approval purposes.

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

For the analysis of the credit risk in respect of loans to customers refer to Note 12.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from volatile currency and interest rates together with adverse pricing of financial instruments.

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

The Management Board is the authority for market risk control and strategy. Market risk limits such as open currency position volumes, currency gaps, net interest rate margins and spreads are under control of a Market risks unit reported to the local CRO. The Board of Directors approves market risk limits based on the recommendations of the Market risks unit.

No significant fluctuations in foreign currency exchange rates and/or interest rates took place from 31 December 2016, which is the date of the Bank’s most recent financial statements.

## 21 Risk management, continued

### Liquidity risk

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

As at 30 June 2017 KZT'000 (unaudited)	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>More than 1 year</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>Non-derivative liabilities</b>							
Deposits and balances from banks	4,503	6,930,281	5,075,795	3,051,849	-	15,062,428	14,284,488
Current accounts and deposits from customers	9,753,259	12,121,561	25,981,686	26,490,041	17,003,918	91,350,465	84,402,445
Debt securities issued	-	323,290	762,501	1,082,815	20,361,845	22,530,451	17,058,179
Certificates of deposit	175	-	371,383	227,562	-	599,120	550,983
Other financial liabilities	583,955	965,353	-	-	-	1,549,308	1,549,308
<b>Derivative liabilities</b>							
Net settled derivatives	-	1,231,600	-	-	-	1,231,600	1,048,168
<i>Gross settled derivatives</i>							
- Inflow	-	(6,445,400)	-	-	-	(6,445,400)	-
- Outflow	-	7,677,000	-	-	-	7,677,000	-
<b>Total financial liabilities</b>	<b>10,341,892</b>	<b>21,572,085</b>	<b>32,191,365</b>	<b>30,852,267</b>	<b>37,365,763</b>	<b>132,323,372</b>	<b>118,893,571</b>
Credit related commitments	-	-	-	-	9,021,261	9,021,261	9,021,261

**22 Risk management, continued****Liquidity risk, continued**

As at 31 December 2016 KZT'000	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>More than 1 year</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>Non-derivative liabilities</b>							
Deposits and balances from banks	5,516,452	-	2,818,800	12,049,933	1,817,342	22,202,527	20,276,333
Current accounts and deposits from customers	11,241,905	10,551,558	6,355,336	36,912,703	16,176,509	81,238,011	73,518,527
Debt securities issued	-	323,290	-	323,290	7,652,596	8,299,176	6,920,282
Certificates of deposit	83	-	-	371,960	-	372,043	318,616
Other financial liabilities	854,339	2,643,101	-	-	-	3,497,440	3,497,440
<b>Derivative liabilities</b>							
Net settled derivatives	-	-	-	1,011,200	-	1,011,200	212,431
<i>Gross settled derivatives</i>							
- Inflow	-	-	-	(6,665,800)	-	(6,665,800)	-
- Outflow	-	-	-	7,677,000	-	7,677,000	-
<b>Total financial liabilities</b>	<b>17,612,779</b>	<b>13,517,949</b>	<b>9,174,136</b>	<b>50,669,086</b>	<b>25,646,447</b>	<b>116,620,397</b>	<b>104,743,629</b>
Credit related commitments	5,090,131	-	-	-	-	5,090,131	5,090,131

## 21 Risk management, continued

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

	<b>Unaudited 30 June 2017 KZT'000</b>	<b>31 December 2016 KZT'000</b>
Demand and less than 1 month	1,723,305	2,175,091
From 1 to 3 months	10,523,316	9,132,208
From 3 to 6 months	24,275,974	4,561,578
From 6 to 12 months	24,634,059	34,439,908
More than 1 year	16,080,681	14,923,275
	<b>77,237,335</b>	<b>65,232,060</b>

## 22 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 June 2017, this minimum level of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk was 0.055 (31 December 2016: 0.050) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 0.080 (31 December 2016: 0.075). The Bank was in compliance with the statutory capital requirements as at 30 June 2017, unaudited and 31 December 2016.

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

	<b>Unaudited 30 June 2017 KZT'000</b>	<b>31 December 2016 KZT'000</b>
<b>Tier 1 capital</b>		
Share capital	5,199,503	5,199,503
Retained earnings of prior years	21,986,292	13,666,903
Profit for the period	10,930,896	17,319,404
Intangible assets	(4,365,770)	(4,192,050)
<b>Total tier 1 capital</b>	<b>33,750,921</b>	<b>31,993,760</b>
<b>Total tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>33,750,921</b>	<b>31,993,760</b>
<b>Total credit risk-weighted assets</b>	<b>199,981,534</b>	<b>137,995,557</b>
<b>Total credit risk-weighted assets and liabilities, including market and operational risk</b>	<b>233,736,690</b>	<b>168,457,058</b>
<b>Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)</b>	<b>0.144</b>	<b>0.190</b>
<b>Total tier 1 capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital ratio)</b>	<b>0.144</b>	<b>0.190</b>

## 23 Commitments

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

	<b>Unaudited 30 June 2017 KZT'000</b>	<b>31 December 2016 KZT'000</b>
<b>Contracted amount</b>		
Loan and credit line commitments	9,021,261	5,090,131
	<b>9,021,261</b>	<b>5,090,131</b>

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 June 2017 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank's equity, unaudited (31 December 2016: none).

## 24 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 six-month period ended 30 June 2017 489,478 KZT thousand was recognized as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (six-month period ended 30 June 2016: KZT 447,376 thousand).

As at 30 June 2017 the Bank reported KZT 1,445 thousand of prepayments included in the balance of other assets serving as security deposits in case of an early termination of lease agreements (31 December 2016: KZT 1,386 thousand).

## 25 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 six-month periods ended 30 June 2017 and 2016 was as follows:

	<b>Unaudited six-month period ended 30 June 2017 KZT'000</b>	<b>Unaudited six-month period ended 30 June 2016 KZT'000</b>
Members of the Board of Directors	202,643	128,822
Members of the Management Board	235,121	288,466
	<b>437,764</b>	<b>417,288</b>

## 25 Related party transactions, continued

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

The outstanding balances and average interest rates as at 30 June 2017 and 31 December 2016 for transactions with members of the Board of Directors and the Management Board were as follows:

	Unaudited 30 June 2017 KZT'000	Average interest rate, %	31 December 2016 KZT'000	Average interest rate, %
<b>Interim condensed statement of financial position</b>				
<b>LIABILITIES</b>				
Current accounts and deposits from customers	46,243	3.24	218,250	1.92

Total amounts included in profit or loss in relation to transactions with members of the Board of Directors and the Management Board for the six-month periods ended 30 June 2017 and 2016 were as follows:

	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
<b>Interim condensed statement of profit or loss and other comprehensive income</b>		
Interest expense	1,125	-
	<b>1,125</b>	<b>-</b>

### (c) Transactions with the parent

As at 30 June 2017 and 31 December 2016 balances with the parent included in interim condensed statement of financial position were as follows:

	Unaudited 30 June 2017 KZT'000	Average interest rate, %	31 December 2016 KZT'000	Average interest rate, %
<b>Interim condensed statement of financial position</b>				
<b>ASSETS</b>				
Cash and cash equivalents				
-In USD	116	-	120	-
-In EUR	117	-	112	-
-In RUB	40	-	40	-
<b>LIABILITIES</b>				
Deposits and balances from banks				
-In KZT	10	-	-	-
-In USD	322	-	333	-

During the six-month periods ended 30 June 2017 and 2016 transactions with the parent included in the interim condensed statement of profit or loss and other comprehensive income were as follows:

	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
<b>Interim condensed statement of profit or loss and other comprehensive income</b>		
<b>Interest expense</b>		
Deposits and balances from banks		
- In KZT	-	1,818,467
	<b>-</b>	<b>1,818,467</b>



## 25 Related party transactions, continued

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

As at 30 June 2017 and 31 December 2016 balances with entities controlled by the ultimate controlling owner included in the interim condensed statement of financial position were as follows:

	Unaudited 30 June 2017 KZT'000	Average interest rate, %	31 December 2016 KZT'000	Average interest rate, %
<b>Interim condensed statement of financial position</b>				
<b>LIABILITIES</b>				
Deposits and balances from banks				
-In KZT	4,170	-	560,359	7.47
Current accounts and deposits from customers				
-In KZT	-	-	658,318	-
Financial instruments at fair value through profit or loss				
-In USD	1,048,168	-	212,431	-
Other financial liabilities				
-In EUR	263,061	-	132,862	-

During the six-month period ended 30 June 2017, the Bank purchased software licenses from the related party for the total amount of KZT 689,115 thousand (six-month period ended 30 June 2016: KZT 867,796 thousand), unaudited. These expenses were recognized as intangible assets.

During the six-month periods ended 30 June 2017 and 2016 transactions with entities controlled by the ultimate controlling owner included in the interim condensed statement of profit or loss and other comprehensive income were as follows:

	Unaudited six-month period ended 30 June 2017 KZT'000	Unaudited six-month period ended 30 June 2016 KZT'000
<b>Interim condensed statement of profit or loss and other comprehensive income</b>		
<b>Interest income</b>		
Cash and cash equivalents		
-In USD	-	48,575
	-	<b>48,575</b>
<b>Interest expense</b>		
Deposits and balances from banks		
-In KZT	11,223	44,615
Current accounts and deposits from customers		
-In KZT	-	8,948
	<b>11,223</b>	<b>53,563</b>
<b>Net loss on financial instruments at fair value through profit or loss</b>		
-In USD	835,738	-
	<b>835,738</b>	-
<b>General administrative expenses</b>		
General administrative expenses	<b>1,304,987</b>	<b>1,166,521</b>

## 26 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 June 2017, unaudited:

KZT'000	Held for trading	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	12,551,158	-	12,551,158	12,551,158
Loans to customers	-	133,118,660	-	133,118,660	133,118,660
Other financial assets	-	1,975,281	-	1,975,281	1,975,281
	-	<b>147,645,099</b>	-	<b>147,645,099</b>	<b>147,645,099</b>
Financial instruments at fair value through profit or loss	1,048,168	-	-	1,048,168	1,048,168
Deposits and balances from banks	-	-	14,284,488	14,284,488	14,629,449
Current accounts and deposits from customers	-	-	84,402,445	84,402,445	86,959,221
Debt securities issued	-	-	17,058,179	17,058,179	17,469,200
Certificates of deposit	-	-	550,983	550,983	550,983
Other financial liabilities	-	-	1,549,308	1,549,308	1,549,308
	<b>1,048,168</b>	<b>-</b>	<b>117,845,403</b>	<b>118,893,571</b>	<b>122,206,329</b>

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

KZT'000	Held for trading	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	12,578,596	-	12,578,596	12,578,596
Loans to customers	-	117,697,312	-	117,697,312	117,697,312
Other financial assets	-	1,492,322	-	1,492,322	1,492,322
	-	<b>131,768,230</b>	-	<b>131,768,230</b>	<b>131,768,230</b>
Financial instruments at fair value through profit or loss	212,431	-	-	212,431	212,431
Deposits and balances from banks	-	-	20,276,333	20,276,333	21,120,783
Current accounts and deposits from customers	-	-	73,518,527	73,518,527	76,578,502
Debt securities issued	-	-	6,920,282	6,920,282	6,737,587
Certificates of deposit	-	-	318,616	318,616	318,616
Other financial liabilities	-	-	3,497,440	3,497,440	3,497,440
	<b>212,431</b>	<b>-</b>	<b>104,531,198</b>	<b>104,743,629</b>	<b>108,465,359</b>

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.

## 26 Financial assets and liabilities: fair values and accounting classifications, continued

### (a) Accounting classifications and fair values, 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.

## 26 Financial assets and liabilities: fair values and accounting classifications, continued

### (b) Fair value hierarchy, continued

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

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

Significant valuation issues are reported to the Management Board.

The table below analyses financial instruments measured at fair value at 30 June 2017, unaudited, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

<b>KZT'000</b>	<u><b>Level 2</b></u>
Financial instruments at fair value through profit or loss	
- Derivative liabilities	1,048,168
	<u><b>1,048,168</b></u>

The table below analyses financial instruments measured at fair value at 31 December 2016, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

<b>KZT'000</b>	<u><b>Level 2</b></u>
Financial instruments at fair value through profit or loss	
- Derivative liabilities	212,431
	<u><b>212,431</b></u>

## 26 Financial assets and liabilities: fair values and accounting classifications, continued

### (b) Fair value hierarchy, continued

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 June 2017, unaudited:

<b>KZT'000</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair values</b>	<b>Total carrying amount</b>
<b>Assets</b>				
Cash and cash equivalents	12,551,158	-	12,551,158	12,551,158
Loans to customers	125,668,286	7,450,374	133,118,660	133,118,660
Other financial assets	1,975,281	-	1,975,281	1,975,281
<b>Liabilities</b>				
Deposits and balances from banks	14,629,449	-	14,629,449	14,284,488
Current accounts and deposits from customers	86,959,221	-	86,959,221	84,402,445
Debt securities issued	17,469,200	-	17,469,200	17,058,179
Certificates of deposit	550,983	-	550,983	550,983
Other financial liabilities	1,549,308	-	1,549,308	1,549,308

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2016:

<b>KZT'000</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair values</b>	<b>Total carrying amount</b>
<b>Assets</b>				
Cash and cash equivalents	12,578,596	-	12,578,596	12,578,596
Loans to customers	111,596,754	6,100,558	117,697,312	117,697,312
Other financial assets	1,492,322	-	1,492,322	1,492,322
<b>Liabilities</b>				
Deposits and balances from banks	21,120,783	-	21,120,783	20,276,333
Current accounts and deposits from customers	76,578,502	-	76,578,502	73,518,527
Debt securities issued	6,737,587	-	6,737,587	6,920,282
Certificates of deposit	318,616	-	318,616	318,616
Other financial liabilities	3,497,440	-	3,497,440	3,497,440