SB JSC “Bank Home Credit”

Interim Condensed
Financial Information
for the three-month period
ended 31 March 2018

Contents

	Note	Unaudited three-month period ended 31 March 2018 KZT'000	Unaudited three-month period ended 31 March 2017 KZT'000
Interest income	4	16,470,246	11,798,342
Interest expense	4	(4,789,856)	(3,345,925)
Net interest income		**11,680,390**	**8,452,417**
Fee and commission income	5	3,358,102	3,164,984
Fee and commission expense	6	(360,864)	(373,629)
Net fee and commission income		**2,997,238**	**2,791,355**
Net loss on financial instruments at fair value through profit or loss	7	(1,151,221)	(672,225)
Net foreign exchange gain	8	751,077	394,888
Other operating income		102,258	163,179
Operating income		**14,379,742**	**11,129,614**
Impairment (losses) recoveries	9	(680,307)	357,768
General administrative expenses	10	(6,701,535)	(5,185,363)
Profit before income tax		**6,997,900**	**6,302,019**
Income tax expense	11	(1,448,755)	(1,406,715)
Profit for the period		**5,549,145**	**4,895,304**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for financial assets at fair value through other comprehensive income :			
- Net change in fair value		536	-
Other comprehensive income for the three-month period, net of income tax		**536**	**-**
Total comprehensive income for the three-month period		**5,549,681**	**4,895,304**
Earnings per share, in KZT	23	159,047	140,307

The interim condensed financial information as set out on pages 3 to 35 were signed by Management on 04 June 2018 by:

Ondrej Kubik *Chairman of the Board*	Gaukhar Massangaliyeva *Chief Accountant*

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

	Note	Unaudited 31 March 2018 KZT’000	31 December 2017 KZT’000
ASSETS			
Cash and cash equivalents	12	19,127,441	14,211,027
Loans to customers	13	193,429,352	188,109,945
Financial assets at fair value through other comprehensive income			
- Pledged under sale and repurchase agreements	14	11,039,590	-
Financial assets available-for-sale			
- Pledged under sale and repurchase agreements	14	-	11,488,680
Financial instruments at fair value through profit or loss		9,061	145,635
Property, equipment and intangible assets	16	7,693,494	7,349,792
Other assets		4,769,712	3,723,593
Total assets		**236,068,650**	**225,028,672**
LIABILITIES			
Financial instruments at fair value through profit or loss		1,521,645	238,057
Deposits and balances from banks	17	32,034,662	35,368,377
Current accounts and deposits from customers			
- Current accounts and deposits from retail customers	18	70,724,925	62,309,097
- Current accounts and deposits from corporate customers	18	45,168,540	34,615,178
Debt securities issued	19	22,549,170	22,158,530
Other borrowed funds	20	4,936,520	14,911,830
Certificates of deposit		787,151	850,223
Other liabilities		8,778,781	9,446,036
Total liabilities		**186,501,394**	**179,897,328**
EQUITY			
Share capital	21	5,199,503	5,199,503
Retained earnings	21	44,401,139	39,965,763
Revaluation reserve for financial assets at fair value through other comprehensive income		(33,386)	-
Revaluation reserve for financial assets available-for-sale		-	(33,922)
Total equity		**49,567,256**	**45,131,344**
Total liabilities and equity		**236,068,650**	**225,028,672**
Book value per share, in KZT	22	1,293,765	1,171,393

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

	Unaudited three-month period ended 31 March 2018 KZT’000	Unaudited three-month period ended 31 March 2017 KZT’000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	17,695,181	12,103,964
Interest payments	(4,550,121)	(3,001,218)
Fee and commission receipts	3,575,151	3,580,753
Fee and commission payments	(55,275)	(376,101)
Net receipts from financial instruments at fair value through profit or loss	268,941	24,116
Net receipts (payments) from foreign exchange	1,251,003	(38,424)
Other income receipts, net	102,258	163,179
General administrative expenses	(5,177,318)	(4,782,123)
Increase in operating assets		
Loans to customers	(11,799,367)	(4,615,375)
Financial assets at fair value through other comprehensive income	(80,787)	-
Other assets	(453,158)	(47,623)
Increase (decrease) in operating liabilities		
Current accounts and deposits from customers	19,264,244	7,556,440
Deposits and balances from banks	(3,263,794)	(5,242,317)
Certificates of deposit	(75,300)	116,500
Other liabilities	487,749	298,898
Net cash from operating activities before income tax paid	**17,189,407**	**5,740,669**
Income tax paid	(1,326,213)	(1,051,102)
Cash flows from operating activities	**15,863,194**	**4,689,567**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(762,110)	(1,093,170)
Proceeds from sale of property and equipment	138	98
Other financial assets measured at amortized cost	-	(8,984,523)
Cash flows used in investing activities	**(761,972)**	**(10,077,595)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of other borrowed funds	(9,949,647)	-
Cash flows used in financing activities	**(9,949,647)**	**-**
Net increase (decrease) in cash and cash equivalents	**5,151,575**	**(5,388,028)**
Effect of changes in exchange rates on cash and cash equivalents	(235,161)	(116,818)
Cash and cash equivalents as at the beginning of the period	14,211,027	16,428,817
Cash and cash equivalents as at the end of the period (note 12)	**19,127,441**	**10,923,971**

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

KZT’000	Share capital	Revaluation reserve for financial assets at fair value through other comprehensive income/financial assets available-for-sale	Retained earnings	Total equity
Balance as at 1 January 2017	5,199,503	-	30,986,307	36,185,810
Total comprehensive income (unaudited)				
Profit and total comprehensive income for the three-month period (unaudited)	-	-	4,895,304	4,895,304
Balance as at 31 March 2017 (unaudited)	**5,199,503**	**-**	**35,881,611**	**41,081,114**
Balance as at 1 January 2018	5,199,503	(33,922)	39,965,763	45,131,344
Impact of adopting IFRS 9 as at 1 January 2018 (unaudited)	-	-	(1,113,769)	(1,113,769)
Restated balance as at 1 January 2018 (unaudited)	5,199,503	(33,922)	38,851,994	44,017,575
Total comprehensive income (unaudited)				
Profit for the three-month period (unaudited)	-	-	5,549,145	5,549,145
Other comprehensive income (unaudited)				
Items that are or may be reclassified subsequently to profit or loss:				
Net change in fair value of financial assets at fair value through other comprehensive income, net of deferred tax assets/deferred tax liabilities	-	536	-	536
Total other comprehensive income (unaudited)	-	536	-	536
Total comprehensive income for the three-month period (unaudited)	**5,199,503**	**(33,386)**	**44,401,139**	**49,567,256**
Balance as at 31 March 2018 (unaudited)	**5,199,503**	**(33,386)**	**44,401,139**	**49,567,256**

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

1 Reporting entity

(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, Nursultan Nazarbayev av., Almaty, Republic of Kazakhstan, 050059. As at 31 March 2018, the Bank had 17 branches and 41 bank offices (31 December 2017: 17 branches and 41 bank offices).

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

As at 31 March 2018 and 31 December 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 emerging market characteristics. 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 depreciation of the Kazakhstan tenge which took place during 2015, and a reduction in the global price of oil, have increased the level of uncertainty in the business environment. The interim condensed financial information reflect the management's assessment of the impact of the Kazakhstan business environment on the operations and financial position of the Bank. A subsequent development of the business environment may differ from the management's assessment.

2 Basis of accounting

(a) Statement of compliance

The accompanying interim condensed financial information are prepared in accordance with the International Financial Reporting Standard (IAS) 34 *«Interim Condensed Financial Statements»* (further, «IFRS (IAS) 34»). It does not contain all information necessary for annual financial information, thus it should be considered together with the financial statements for the year, ended 31 December 2017 as this interim condensed financial information represent an update of previously issued financial statements.

(b) Basis of measurement

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

2 Basis of accounting, continued

(c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan Tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these financial statements.

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

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

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

- commission income from insurance – Note 5;
- loan impairment estimates – Note 13.

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 2017, except for IFRS 9 applying from 1 January 2018.

(a) Changes in accounting policies since 1 January 2018

IFRS 9 Financial Instruments (effective from 1 January 2018)

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. The Bank has also elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 ‘Financial Instruments: Disclosures’. Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank.

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail below.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves and retained earnings:

	KZT’000
Other reserves	
Recognition of expected credit losses under IFRS 9	(1,293,960)
Recognition of expected credit losses on undrawn credit limit under IFRS 9	(78,601)
Related tax	258,792
Impact at 1 January 2018	**(1,113,769)**

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		**IFRS 9**	
	Measurement category	**Carrying amount**	**Measurement category**	**Carrying amount**
Financial assets		**KZT’000**		**KZT’000**
Cash and cash equivalents	Amortised cost (L&R)	14,211,027	Amortised cost	14,211,027
Positive fair value of derivative instruments	FVTPL (held for trading)	145,635	FVTPL (mandatory)	145,635
Loans to customers	Amortised cost (L&R)	188,109,945	Amortised cost	188,109,945
Debt securities	FVOCI (AFS)	11,488,680	FVOCI (debt instruments)	11,488,680

Neither the classification nor the measurement of Financial liabilities were affected by the adoption of IFRS 9 compared to classification and measurement as they were under IAS 39.

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

KZT’000	**IAS 39 carrying amount at 31 December 2017**	**Reclassification**	**Remeasurement: change of classification**	**Remeasurement: change of ECL**	**IFRS 9 carrying amount at 1 January 2018**
Financial assets					
Amortised cost					
Cash and cash equivalents:					
Opening balance under IAS 39	14,211,027	-	-	-	-
Closing balance under IFRS 9					14,211,027
Loans to customers:					
Opening balance under IAS 39	188,109,945	-	-		-
Remeasurement: ECL allowance		-	-	(1,293,960)	
Closing balance under IFRS 9	-	-	-	-	186,815,985

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

(ii) Reconciliation of statement of financial position balances form IAS 39 to IFRS 9, continued

KZT'000	IAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement: change of classification	Remeasurement: change of ECL	IFRS 9 carrying amount at 1 January 2018
Financial assets at fair value through other comprehensive income (FVOCI)					
Available-for-sale					
Opening balance under IAS 39	11,488,680	-	-	-	-
Subtraction: To FVOCI (IFRS 9)	-	(11,488,680)	-	-	-
Closing balance under IFRS 9	-	-	-	-	-
FVOCI (debt instruments)					
Bonds and other debt securities:					
Opening balance under IAS 39	-	-	-	-	-
Additions: From "Financial assets available for sale" (IAS 39)	-	11,488,680	-	-	-
Closing balance under IFRS 9	-	-	-	-	11,488,680
Financial assets at fair value through profit and loss and hedging (FVTPL)					
FVTPL (trading)					
Opening balance under IAS 39	145,635	-	-	-	-
Additions: From "Financial assets available for sale" (IAS 39)	-	-	-	-	-
Closing balance under IFRS 9	-	-	-	-	145,635
Total	**11,634,315**	**-**	**-**	**-**	**11,634,315**

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

(iii) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	**Loss allowance under IAS 39/Provision under IAS 37**	**Reclassifi-cation**	**Remeasurement**	**Loss allowance under IFRS 9**
	KZT'000	**KZT'000**	**KZT'000**	**KZT'000**
L&R (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Cash and cash equivalents	-	-	-	-
Investment securities at amortised cost	-	-	-	-
Loans and receivables due from banks	-	-	-	-
Loans to customers - collective impairment	(7,036,618)	-	(1,293,960)	(8,330,578)
Loans to customers - individual impairment	-	-	-	-
Trade receivables	-	-	-	-
Accrued income	-	-	-	-
subtotal	**(7,036,618)**	**-**	**(1,293,960)**	**(8,330,578)**
AFS (IAS 39)/Financial assets at FVOCI (IFRS 9)				
Bonds and other debt securities	-	-	-	-
subtotal	**-**	**-**	**-**	**-**
Loans commitments and financial guarantee contracts				
Loan commitments	-	-	(78,601)	(78,601)
Provisions (financial guarantees)	-	-	-	-
subtotal	**-**	**-**	**(78,601)**	**(78,601)**
Total	**(7,036,618)**	**-**	**(1,372,561)**	**(8,409,179)**

(iv) Classification and measurement – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

(iv) Classification and measurement – Financial assets, continued

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by- investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Bank made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that will be considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

(iv) Classification and measurement – Financial assets, continued

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank will consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

All of the Bank's retail loans contain prepayment features.
A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

(v) Impairment – Financial assets, loan commitments and financial guarantee contracts

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ model. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Consequently, more timely information is required to be provided about expected credit losses.

Under IAS 39, an entity may only consider losses that arise from past events and current conditions. The effects of possible future credit loss events could not be considered, even when they were expected. IFRS 9 broadens the information that an entity may consider when determining its ECLs. Specifically, IFRS 9 allows an entity to base its measurement of ECLs on reasonable and supportable information that is available without undue cost or effort, and that includes historical, current and forecast information.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

In accordance with IFRS 9, the Bank recognises loss allowances at an amount equal to lifetime ECLs for a financial instrument, if the credit risk on that financial instrument has increased significantly since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn and the cash flows that the Bank expects to receive from this commitment; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

(v) Impairment – Financial assets, loan commitments and financial guarantee contracts, continued

Definition of default

Under IFRS 9, the Bank considers a financial asset to be in default when there is available information that:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on the respective material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources (e.g. insolvency or bankruptcy loan registers).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Bank uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Credit risk grades and client's score are primary inputs into the determination of the probability of default (PD) development for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction, by type of product and borrower and by credit risk grading. For some portfolios, information purchased from external credit reference agencies may also be used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis is planned to include – where reasonable and supportable information is available – the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, as well as analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macroeconomic indicators are likely to include variables such as GDP growth, benchmark interest rates and unemployment.

Determining whether credit risk has increased significantly

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis consisting - based on availability and complexity - of the Bank's historical experience, expert credit assessment and forward-looking information.

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

(v) Impairment – Financial assets, loan commitments and financial guarantee contracts, continued

Determining whether credit risk has increased significantly, continued

The criteria may vary by portfolio and include a backstop based on delinquency in accordance with IFRS 9. As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment – subject to materiality threshold – has not been received.

The Bank primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining probability of default (PD) as at the reporting date; with
- the PD that was estimated on initial recognition of the exposure.

The Bank deems the credit risk of a particular exposure to have increased significantly since initial recognition if the remaining lifetime PD is determined to have increased – since initial recognition – more than is defined for the respective exposure class.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. credit cards), the date when the facility was firstly used could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

The Bank monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that results of assessment are compliant with IFRS 9 and internal guidelines and settings.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified due to borrowers financial difficulties and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly should reflect comparison of:

- the remaining PD at the reporting date based on the modified terms; with
- the PD estimated based on data on initial recognition and terms of the original contract.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Loan forbearance would be granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

(v) Impairment – Financial assets, loan commitments and financial guarantee contracts, continued

Modified financial assets, continued

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are – in general – the following variables:

– PD;
– loss given default (LGD); and
– exposure at default (EAD).

These parameters are derived – alone or together – from internally developed statistical models based on own historical data or derived from available market data.

For retail portfolio PD and EAD is usually estimated together using statistical models (stochastic Markov chain based model of simple Roll Rate model) based on internally compiled data. Where it is available, market data may also be used to derive the PD for large corporate counterparties where there is not enough internally available data for statistical modelling.

LGD is estimated based on the history of recovery rates of claims against defaulted counterparties. It is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

For retail credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECLs over a period when the Bank's ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

Where modelling of a parameter is carried out on a collective basis, the financial instruments shall be grouped on the basis of shared risk characteristics, such as product type.

The groupings is subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

3 Significant accounting policies, continued

(a) Changes in accounting policies since 1 January 2018, continued

IFRS 9 Financial Instruments (effective from 1 January 2018), continued

(v) Impairment – Financial assets, loan commitments and financial guarantee contracts, continued

Forward-looking information

Under IFRS 9, the Bank incorporates forward-looking information into assessment of whether the credit risk of an instrument has increased significantly since initial recognition and – where possible – as part of measurement of ECLs. External information used may include economic data and forecasts published by governmental bodies and monetary authorities.

The Bank uses – based on data availability and credibility of sources – using an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. The key drivers may include variables such as interest rates, unemployment rates, GDP forecasts and other.

(vi) Classification and measurement – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- the amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI; and
- the remaining amount of the change in the fair value will be presented in profit or loss.

(vii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized separately as asset or liability.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3 Significant accounting policies, continued

(b) Comparative information

Prior period reclassification

During the preparation of the Bank's interim condensed financial information for the three-month period ended 31 March 2018, management made certain reclassifications affecting the comparative information to conform it to the presentation of the interim condensed financial information for the three-month period ended 31 March 2018.

In the comparative information for the three-month period ended 31 March 2017 in the interim condensed statement of profit or loss and other comprehensive income commission income from retailers in the amount of KZT 703,908 thousand was reclassified from fee and commission income to interest 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
Interim condensed statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2017			
Fee and commission income	3,164,984	(703,908)	3,868,892
Interest income	11,798,342	703,908	11,094,434
Interim condensed statement of cash flows for the three-month period ended 31 March 2017			
Fee and commission receipts	3,580,753	(703,908)	4,284,661
Interest receipts	12,103,964	703,908	11,400,056

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

4 Net interest income

	Unaudited three-month period ended 31 March 2018 KZT'000	Unaudited three-month period ended 31 March 2017 KZT'000
Interest income		
Loans to customers	16,248,215	11,463,272
Cash and cash equivalents	186,721	244,865
Financial assets at fair value through other comprehensive income	35,310	-
Other financial assets measured at amortized cost	-	90,205
	16,470,246	**11,798,342**

4 Net interest income, continued

Interest expense	Unaudited three-month period ended 31 March 2018 KZT'000	Unaudited three-month period ended 31 March 2017 KZT'000
Current accounts and deposits from customers	3,112,438	2,501,596
Debt securities issued	712,143	170,810
Deposits and balances from banks	384,636	657,199
Sale and repurchase agreements	339,442	-
Other borrowed funds	209,709	-
Certificates of deposit	31,488	16,320
	4,789,856	**3,345,925**
	11,680,390	**8,452,417**

5 Fee and commission income

	Unaudited three-month period ended 31 March 2018 KZT'000	Unaudited three-month period ended 31 March 2017 KZT'000
Commission income from insurance	2,051,515	2,294,262
Fees from retailers	589,135	514,437
Contractual penalties from customers	415,271	286,804
Transfer operations	39,501	9,296
Cards' operations	34,858	29,498
Cash withdrawal	478	449
Other	227,344	30,238
	3,358,102	**3,164,984**

6 Fee and commission expense

	Unaudited three-month period ended 31 March 2018 KZT'000	Unaudited three-month period ended 31 March 2017 KZT'000
Commissions paid for verification services	156,297	124,263
Deposit insurance fund contributions	68,849	43,130
Commissions paid to partners	66,084	162,023
Card processing	41,963	33,138
Settlements	25,622	8,442
Other	2,049	2,633
	360,864	**373,629**

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

For the three-month period ended 31 March 2018 the Bank recognised net gain on financial instruments at fair value though profit or loss on short-term currency swap operations concluded on the Kazakhstan stock exchange in the amount of KZT 344,715 thousand (for the three-month period ended 31 March 2017: net gain of KZT 24,118 thousand), and net loss on 1-year currency swap operations concluded with PPF Banka a.s. in the amount of KZT 1,495,936 thousand (for the three-month period ended 31 March 2017: net loss on long-term swap operations concluded with PPF Banka a.s. equalled to KZT 696,343 thousand).

8 Net foreign exchange gain

	Unaudited three-month period ended 31 March 2018 KZT’000	Unaudited three-month period ended 31 March 2017 KZT’000
Translation differences, net	747,530	394,915
Dealing, net	3,547	(27)
	751,077	**394,888**

9 Impairment (losses) recoveries

	Unaudited three-month period ended 31 March 2018 KZT’000	Unaudited three-month period ended 31 March 2017 KZT’000
Loans to customers	(589,360)	422,515
Other assets	(90,947)	(64,747)
	(680,307)	**357,768**

10 General administrative expenses

	Unaudited three-month period ended 31 March 2018 KZT’000	Unaudited three-month period ended 31 March 2017 KZT’000
Employee compensation and payroll related taxes	3,496,733	2,769,920
Depreciation and amortisation	703,874	566,756
Information technology	505,455	388,404
Professional services	377,929	162,306
Telecommunication and postage	354,228	209,521
Occupancy	318,183	264,625
Collectors’ services	250,333	281,730
Taxes other than income tax	244,523	193,193
Advertising and marketing	193,124	144,659
Travel expenses	71,326	71,388
Other	185,827	132,861
	6,701,535	**5,185,363**

11 Income tax expense

	Unaudited three-month period ended 31 March 2018 KZT’000	Unaudited three-month period ended 31 March 2017 KZT’000
Current tax expense		
Current year tax expense	1,522,260	1,488,283
	1,522,260	**1,488,283**
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	(73,505)	(81,568)
Total income tax expense	**1,448,755**	**1,406,715**

11 Income tax expense, continued

In 2018, the applicable tax rate for current and deferred tax was 20 % (2017: 20%).

Reconciliation of effective tax rate:

	Unaudited three-month period ended 31 March 2018 KZT'000	%	Unaudited three-month period ended 31 March 2017 KZT'000	%
Profit before income tax	**6,997,900**		**6,302,019**	
Income tax at the applicable tax rate	1,399,580	20.0	1,260,404	20.0
Non-deductible costs	49,175	0.7	146,311	2.3
	1,448,755	**20.7**	**1,406,715**	**22.3**

12 Cash and cash equivalents

	Unaudited 31 March 2018 KZT'000	31 December 2017 KZT'000
Cash on hand	3,800,456	4,486,752
Nostro accounts with the NBRK	282,387	5,274,332
Nostro accounts with other banks		
- rated from A- to A+	1,972, 696	1,865,287
- rated from BB- to BB+	49,308	85,528
- rated below B+	152,764	97,278
Cash equivalents		
Term deposits with the NBRK with original maturities of less than three months	10,004,722	2,401,850
Term deposits with other banks with original maturities of less than three months		
- rated B-	2,865,108	-
	19,127,441	**14,211,027**

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

No cash and cash equivalents were impaired or past due.

As at 31 March 2018 the Bank had exposure towards one banking counterparty (31 December 2017: one banking counterparty) exceeding 10% of the Bank's equity with the gross value of KZT 10,287,109 thousand (31 December 2017: KZT 7,676,182 thousand).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 31 March 2018, the minimum reserve is KZT 1,307,218 thousand (31 December 2017: KZT 1,802,515 thousand).

13 Loans to customers

	Unaudited 31 March 2018 KZT'000	31 December 2017 KZT'000
Loans to individuals		
Cash loans	111,281,170	105,048,786
POS loans	79,937,892	79,681,855
Credit cards	10,994,566	10,415,922
Total loans to individuals	**202,213,628**	**195,146,563**
Impairment allowance	(8,784,276)	(7,036,618)
Net loans to individuals	**193,429,352**	**188,109,945**

(a) Movements in the loan impairment allowance by classes of loans to customers for the three-month period ended 31 March 2018, unaudited are as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the three-month period	3,145,995	3,554,157	336,466	7,036,618
Impact of adopting IFRS 9 as at 1 January 2018	598,228	780,137	(84,405)	1,293,960
Net (reversals)/charge	(235,552)	730,779	94,133	589,360
Net write-offs	462,175	(538,848)	(58,989)	(135,662)
Balance at the end of the three-month period	**3,970,846**	**4,526,225**	**287,205**	**8,784,276**

Movements in the loan impairment allowance by classes of loans to customers for the three-month period ended 31 March 2017, unaudited are as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Total KZT'000
Balance at the beginning of the three-month period	4,071,398	2,479,704	246,400	6,797,502
Net (reversals)/charge	(941,621)	452,624	66,482	(422,515)
Net write-offs	393,221	(210,949)	(40,373)	141,899
Balance at the end of the three-month period	**3,522,998**	**2,721,379**	**272,509**	**6,516,886**

(b) Credit quality of loans to customers

The following table provides information about the stages of loans to customers as at 31 March 2018, unaudited:

13 Loans to customers, continued

(b) Credit quality of loans to customers, continued

	POS loans KZT'000	Cash loans KZT'000	Credit cards KZT'000	Total 31 March 2018 KZT'000
Collective ECL				
Gross amount - Stage 1	71,888,612	89,172,834	10,276,944	171,338,390
Gross amount - Stage 2	4,784,213	18,634,792	316,059	23,735,064
Gross amount - Stage 3 (LT ECL)	3,265,067	3,473,544	401,563	7,140,174
-Past due more than 90 days	3,265,067	3,473,544	401,563	7,140,174
Total gross amount	**79,937,892**	**111,281,170**	**10,994,566**	**202,213,628**
Allowance for impairment – Stage 1 (12M ECL)	(1,696,264)	(1,130,286)	(36,484)	(2,863,034)
Allowance for impairment – Stage 2 (LT ECL)	(790,051)	(947,818)	(43,825)	(1,781,694)
Allowance for impairment – Stage 3 (LT ECL)	(2,039,910)	(1,892,742)	(206,896)	(4,139,548)
Total carrying amount – collective ECL	**(4,526,225)**	**(3,970,846)**	**(287,205)**	**(8,784,276)**
Total carrying amount	**75,411,667**	**107,310,324**	**10,707,361**	**193,429,352**

The following table provides information on the credit quality of the loans to customers as at 31 December 2017:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to individuals				
- not overdue	180,989,818	(895,525)	180,094,293	0.49
- overdue less than 90 days	6,893,179	(1,768,053)	5,125,126	25.65
- overdue 90-360 days	7,263,566	(4,373,040)	2,890,526	60.21
Total loans to individuals	**195,146,563**	**(7,036,618)**	**188,109,945**	**3.61**

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 31 March 2018 total impairment allowance to non-performing loans is 123% (31 December 2017: 97%).
Loans overdue 360 days are written off.

(c) Key assumptions and judgments for estimating loan impairment

The Bank compute present value of estimated loss – discounting is new under IFRS9.

The Bank estimates the impairment losses on loans to customers based on current status of credit and past experience of actually incurred impairment losses on each loan type. The key assumptions used in estimating impairment losses for the current year are as follows:

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

- unsecured loans which borrowers are unable to repay in full can be partially recovered through further collection actions for 26%-30% of the loan's outstanding principal balances.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loan impairment allowance on loans to customers as at 31 March 2018 would be KZT 1,934,294 thousand lower/higher (31 December 2017: KZT 1,881,099 thousand).

13 Loans to customers, continued

(d) Loan collateral

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

(e) Significant credit exposures

As at 31 March 2018, the Bank had no borrowers whose loan balances exceed 10% of the Bank's equity (31 December 2016: none).

14 Financial assets at fair value through other comprehensive income/Financial assets available-for-sale

	Unaudited 31 March 2018 KZT'000	**31 December 2017 KZT'000**
Pledged under sale and repurchase agreements		
US government treasury discount bonds	11,039,590	11,488,680
	11,039,590	**11,488,680**

15 Transfers of financial assets

(a) Transferred financial assets that are not derecognised in their entirety

Unaudited 31 March 2018 KZT'000	**Financial assets at fair value through other comprehensive income**
Carrying amount of assets	11,039,590
Carrying amount of associated liabilities	11,773,313

31 December 2017 KZT'000	**Financial assets available for-sale**
Carrying amount of assets	11,488,680
Carrying amount of associated liabilities	11,433,870

Securities

The Bank has transactions to lend securities and to sell securities under agreements to repurchase and to purchase securities under agreements to resell. Sale and repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Securities lending agreements are transactions in which the Bank lends securities for a fee and receives cash as a collateral.

The securities lent or sold under agreements to repurchase are transferred to a third party and the Bank receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of any default by the Bank, but the counterparty has an obligation to return the securities when the contract matures. The Bank has determined that it retains substantially all the risks and rewards related to these securities and therefore has not derecognised them.

These securities are presented as "pledged under sale and repurchase agreements". The cash received is recognised as a financial asset and a financial liability is recognised for the obligation to repay the purchase price for this collateral, and is included in deposits and balances from banks (note 17). Because the Bank sells the contractual rights to the cash flows of the securities, it cannot use the transferred assets during the term of the agreement.

16 Property, equipment and intangible assets

	Unaudited 31 March 2018 KZT'000	31 December 2017 KZT'000
Acquisition cost	14,054,058	13,856,636
Accumulated depreciation and amortisation	(6,360,564)	(6,506,844)
Carrying amount	**7,693,494**	**7,349,792**

There were no capitalised borrowing costs related to the acquisition or construction of property and equipment during the three-month period ended 31 March 2018, unaudited (31 December 2017: nil).

17 Deposits and balances from banks

	Unaudited 31 March 2018 KZT'000	31 December 2017 KZT'000
Vostro accounts	72,999	66,513
Term deposits	20,188,350	23,867,994
Sale and repurchase agreements	11,773,313	11,433,870
	32,034,662	**35,368,377**

As at 31 March 2018 the Bank had one counterparty whose balances exceeded 10% of the Bank's equity (31 December 2017: had two counterparties). As at 31 March 2018 these balances amounted to KZT 11,773,313 thousand (31 December 2017: KZT 18,152,540 thousand).

As at 31 March 2018 amounts payable under sale and repurchase agreements were secured by financial assets at fair value through other comprehensive income equal KZT 11,039,590 thousand, unaudited (31 December 2017: secured by financial assets available-for-sale KZT 11,488,680 thousand). These transactions are conducted under terms that are usual and customary to standard lending activities.

18 Current accounts and deposits from customers

	Unaudited 31 March 2018 KZT'000	31 December 2017 KZT'000
Corporate		
- Current accounts	255,642	414,616
- Term deposits	44,912,898	34,200,562
Current accounts and deposits from corporate customers	**45,168,540**	**34,615,178**
Retail		
- Current accounts	9,620,361	9,901,327
- Term deposits	61,104,564	52,407,770
Current accounts and deposits from retail customers	**70,724,925**	**62,309,097**
	115,893,465	**96,924,275**

As at 31 March 2018, the Bank had no customers, whose balances exceeded 10% of the Bank's equity (as at 31 December 2017: none).

19 Debt securities issued

	Maturity	Coupon rate, %	Unaudited 31 March 2018 KZT’000	31 December 2017 KZT’000
Unsecured KZT denominated bonds of the 1st issue program 2*	February 2019	9.5	6,813,140	6,962,759
Unsecured KZT denominated bonds of the 3rd issue program 2*	October 2019	12.5	5,237,468	5,074,373
Unsecured KZT denominated bonds of the 2nd issue program 2*	May 2020	15.0	10,498,562	10,121,398
			22,549,170	**22,158,530**

* Quoted on the Kazakhstan Stock Exchange

20 Other borrowed funds

	Issue date	Maturity date	Currency	Weighted-average effective interest rate, %	Unaudited 31 March 2018 KZT’000	31 December 2017 KZT’000
Other borrowed funds						
Unsecured loans	various tranches issued in the period of 29/12/2017	various tranches maturing in the period of 29/12/2018	KZT	12.2	4,936,520	4,930,416
Unsecured loans	04/12/2017-12/12/2017	05/03/2018-07/06/2018*	EUR	4.0	-	9,981,414
					4,936,520	**14,911,830**

* Early repaid 12.03.2018.

21 Equity

(a) Issued capital

As at 31 March 2018 the authorised share capital comprised 160,240 ordinary shares (31 December 2017: 160,240 ordinary shares) and issued and outstanding share capital comprised 34,890 ordinary shares (31 December 2017: 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 44,401,139 thousand, unaudited (31 December 2017: KZT 39,965,763 thousand).

No dividends were declared and paid during the three-month period ended 31 March 2018 (31 December 2017: KZT 13,000,049 thousand, KZT 372,601 per share in accordance with the decisions of the Bank’s sole shareholder).

22 Book value per share

The calculation of book value per share as at 31 March 2018 is based on the number of outstanding ordinary shares of 34,890 (31 December 2017: 34,890) and net assets calculated in accordance with the Listing rules of Kazakhstan Stock Exchange as follows:

	Unaudited 31 March 2018 KZT'000	**31 December 2017 KZT'000**
Total assets	236,068,650	225,028,672
Intangible assets	(4,427,793)	(4,261,438)
Total liabilities	(186,501,394)	(179, 897,328)
Net assets	**45,139,463**	**40,869,906**

The following table shows the book value per share calculations as at 31 March 2018 and 31 December 2017:

	Unaudited 31 March 2018	**31 December 2017**
Net assets, KZT'000	45,139,463	40,869,906
Outstanding number of ordinary shares at the end of the period, share	34,890	34,890
Book value per share, in KZT	**1,293,765**	**1,171,393**

23 Earnings per share

The calculation of basic earnings per share as at 31 March 2018 is based on the net profit for the three-month period attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

	Unaudited three-month period ended 31 March 2018	**Unaudited three-month period ended 31 March 2017**
Net profit attributable to ordinary shareholders, KZT'000	5,549,145	4,895,304
Weighted average number of ordinary shares	34,890	34,890
Earnings per share, in KZT	**159,047**	**140,307**

There are no potentially dilutive shares for the three-month periods ended 31 March 2018 or 31 March 2017.

24 Commitments

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

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

	Unaudited 31 March 2018 KZT'000	**31 December 2017 KZT'000**
Contracted amount		
Loan and credit line commitments	15,787,342	13,866,137
	15,787,342	**13,866,137**

24 Commitments, continued

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

As at 31 March 2018 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank's equity (31 December 2017: none).

From 1 January 2018 the Bank calculates provisions in accordance with IFRS 9 on the undrawn credit limit on card products. As at 31 March 2018 the amount of provisions on the undrawn credit limit equalled to KZT 87,563 thousand, unaudited (1 January 2018: KZT 78,601 thousand).

25 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 for the three-month period ended 31 March 2018 KZT 280,556 thousand, unaudited was recognised as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (for the three-month period ended 31 March 2017: KZT 238,602 thousand, unaudited).

As at 31 March 2018 the Bank reported KZT 1,598 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 2017: KZT 1,671 thousand).

26 Related party transactions

(a) Control relationships

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

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

Total remuneration included in personnel expenses for the three-month periods ended 31 March 2018 and 2017 was as follows:

	Unaudited three-month period ended 31 March 2018 KZT'000	**Unaudited three-month period ended 31 March 2017 KZT'000**
Members of the Board of Directors	318,371	126,448
Members of the Management Board	117,376	139,171
	435,747	**265,619**

26 Related party transactions, continued

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

The outstanding balances and average interest rates as at 31 March 2018 and 31 December 2017 for balances with members of the Board of Directors and the Management Board were as follows:

	Unaudited 31 March 2018 KZT'000	Average interest rate, %	31 December 2017 KZT'000	Average interest rate, %
Interim condensed statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	48,458	2.78	49,864	2.73

Total amounts included in profit or loss in relation to transactions with members of the Board of Directors and the Management Board for the three-month periods ended 31 March 2018 and 2017 were as follows:

	Unaudited three-month period ended 31 March 2018 KZT'000	Unaudited three-month period ended 31 March 2017 KZT'000
Interim condensed statement of profit or loss and other comprehensive income		
Interest expense	(332)	(802)
	(332)	**(802)**

(c) Transactions with the parent

As at 31 March 2018 and 31 December 2017 balances with the parent included in the interim condensed statement of financial position were as follows:

	Unaudited 31 March 2018 KZT'000	Average interest rate, %	31 December 2017 KZT'000	Average interest rate, %
Interim condensed statement of financial position				
ASSETS				
Cash and cash equivalents				
-In USD	115	-	120	-
-In EUR	124	-	126	-
-In RUB	41	-	42	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	10	-	10	-
-In USD	318	-	6,718,660	3.50

26 Related party transactions, continued

(c) Transactions with the parent, continued

During the three-month periods ended 31 March 2018 and 2017 transactions with the parent included in the interim condensed statement of profit or loss and other comprehensive income were as follows:

	Unaudited three-month period ended 31 March 2018 KZT'000	Unaudited three-month period ended 31 March 2017 KZT'000
Interim condensed statement of profit or loss and other comprehensive income		
Interest expense		
Deposits and balances from banks		
-In USD	(22,936)	-
	(22,936)	-

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

As at 31 March 2018 and 31 December 2017 balances with entities controlled by the ultimate controlling owner included in the interim condensed statement of financial position were as follows:

	Unaudited 31 March 2018 KZT'000	Average interest rate, %	31 December 2017 KZT'000	Average interest rate, %
Interim condensed statement of financial position				
ASSETS				
Property, equipment and intangible assets				
-In KZT	3,263,606	-	3,234,154	-
Financial instruments at fair value through profit or loss				
-In EUR	9,061	-	145,635	-
Other assets				
-In EUR	28	-	140,423	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	72,670	-	66,170	-
Other borrowed funds				
-In EUR	-	-	9,981,414	4.0
Financial instruments at fair value through profit or loss				
-In USD/GBP/EUR	1,521,645	-	238,057	-
Other financial liabilities				
-In EUR	382,140	-	681,748	-

26 Related party transactions, continued

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

During the three-month periods ended 31 March 2018 and 2017 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 three-month period ended 31 March 2018 KZT'000	**Unaudited three-month period ended 31 March 2017 KZT'000**
Interim condensed statement of profit or loss and other comprehensive income		
Interest expense		
Other borrowed funds		
-In EUR	(54,699)	-
	(54,699)	**-**
Deposits and balances from banks		
-In KZT	-	(11,223)
	-	**(11,223)**
Net loss on financial instruments at fair value through profit or loss		
-In USD	(1,495,936)	(696,343)
	(1,495,936)	**(696,343)**
General administrative expenses		
General administrative expenses	(946,750)	(607,122)
	(946,750)	**(607,122)**

27 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 March 2018:

KZT'000	FVTPL	FVOCI	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	15,326,985	15,326,985	15,326,985
Loans to customers	-	-	193,429,352	193,429,352	193,429,352
Financial assets at fair value through other comprehensive income	-	11,039,590	-	11,039,590	11,039,590
Financial instruments at fair value through profit or loss	9,061	-	-	9,061	9,061
Other financial assets	-	-	1,672,362	1,672,362	1,672,362
	9,061	**11,039,590**	**210,428,699**	**221,477,350**	**221,477,350**
Financial instruments at fair value through profit or loss	1,521,645	-	-	1,521,645	1,521,645
Deposits and balances from banks	-	-	32,034,662	32,034,662	32,535,780
Current accounts and deposits from customers	-	-	115,893,465	115,893,465	120,850,763
Debt securities issued	-	-	22,549,170	22,549,170	22,856,532
Other borrowed funds	-	-	4,936,520	4,936,520	5,087,672
Certificates of deposit	-	-	787,151	787,151	787,151
Other financial liabilities	-	-	3,532,084	3,532,084	3,532,084
	1,521,645	**-**	**179,733,052**	**181,254,697**	**187,171,627**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2017:

KZT'000	Held for trading	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	9,724,275	-	9,724,275	9,724,275
Loans to customers	-	188,109,945	-	188,109,945	188,109,945
Financial assets available-for-sale	11,488,680	-	-	11,488,680	11,488,680
Financial instruments at fair value through profit or loss	145,635	-	-	145,635	145,635
Other financial assets	-	1,991,062	-	1,991,062	1,991,062
	11,634,315	**199,825,282**	**-**	**211,459,597**	**211,459,597**
Financial instruments at fair value through profit or loss	238,057	-	-	238,057	238,057
Deposits and balances from banks	-	-	35,368,377	35,368,377	36,103,231
Current accounts and deposits from customers	-	-	96,924,275	96,924,275	99,391,653
Debt securities issued	-	-	22,158,530	22,158,530	22,383,242
Other borrowed funds	-	-	14,911,830	14,911,830	15,560,676
Certificates of deposit	-	-	850,223	850,223	850,223
Other financial liabilities	-	-	6,416,456	6,416,456	6,416,456
	238,057	**-**	**176,629,691**	**176, 867,748**	**180,943,538**

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

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

(a) Accounting classifications and fair values, continued

measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of assets or transfer of liabilities.
Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

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

(b) Fair value hierarchy

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

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

27 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.