

SB JSC “Bank Home Credit”

Condensed Interim
Financial Information
for the three-month period
ended 31 March 2017

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*SB JSC “Bank Home Credit”
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the three-month period ended 31 March 2017*

	Note	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Interest income	4	11,094,434	8,471,788
Interest expense	4	(3,345,925)	(2,167,386)
Net interest income		7,748,509	6,304,402
Fee and commission income	5	3,868,892	3,609,326
Fee and commission expense	6	(373,629)	(265,816)
Net fee and commission income		3,495,263	3,343,510
Net loss on financial instruments at fair value through profit or loss		(672,225)	(280,704)
Net foreign exchange gain (loss)	7	394,888	(228,455)
Other operating income, net		163,179	29,839
Operating income		11,129,614	9,168,592
Impairment losses	8	357,768	(1,545,875)
General administrative expenses	9	(5,185,363)	(4,597,767)
Profit before income tax		6,302,019	3,024,950
Income tax expense	10	(1,406,715)	(706,622)
Profit and total comprehensive income for the period		4,895,304	2,318,328
Earnings per share, in KZT (basic and diluted)	22	140,307	66,447

The condensed interim financial information as set out on pages 3 to 24 were approved by the Management on 10 May 2017 and were signed on its behalf by:

Ondrej Kubil
Chairman of the Board



Gaukhar Massangaliyeva
Chief Accountant

SB JSC “Bank Home Credit”
Condensed Interim Statement of Financial Position as at 31 March 2017

	Note	Unaudited 31 March 2017 KZT'000	31 December 2016 KZT'000
ASSETS			
Cash and cash equivalents	11	10,923,971	16,428,817
Loans to customers	12	120,626,834	117,697,312
Financial assets held to maturity		8,984,523	-
Property, equipment and intangible assets	13	7,125,228	6,822,854
Other assets	14	2,490,761	2,420,361
Total assets		150,151,317	143,369,344
LIABILITIES			
Financial instruments at fair value through profit or loss		908,774	212,431
Deposits and balances from banks	15	15,405,228	20,276,333
Current accounts and deposits from customers			
- Current accounts and deposits from corporate customers	16	35,266,265	34,129,269
- Current accounts and deposits from retail customers	16	45,366,866	39,389,258
Debt securities issued	17	6,769,588	6,920,282
Certificates of deposit	18	451,148	318,616
Other liabilities	19	4,902,334	5,937,345
Total liabilities		109,070,203	107,183,534
EQUITY			
Share capital	20	5,199,503	5,199,503
Retained earnings	20	35,881,611	30,986,307
Total equity		41,081,114	36,185,810
Total liabilities and equity		150,151,317	143,369,344
Book value per share, in KZT	21	1,049,818	916,989

SB JSC “Bank Home Credit”
Condensed Interim Statement of Cash Flows for three-month period ended 31 March 2017

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	11,400,056	8,240,779
Interest payments	(3,001,218)	(1,588,482)
Fee and commission receipts	4,284,661	3,764,185
Fee and commission payments	(376,101)	(259,252)
Net receipts (payments) from financial instruments at fair value through profit or loss	24,116	(338,244)
Net payments from foreign exchange	(38,424)	(99,909)
Other income receipts, net	163,179	29,839
General administrative expenses	(4,782,123)	(4,120,589)
(Increase) decrease in operating assets		
Placements with banks and other financial institutions	-	(2,233,530)
Loans to customers	(4,615,375)	2,343,840
Other assets	(47,623)	113,665
Increase (decrease) in operating liabilities		
Deposits and balances from banks	(5,242,317)	(1,734,832)
Current accounts and deposits from customers	7,556,440	(804,309)
Certificates of deposit	116,500	-
Other liabilities	298,898	98,310
Net cash provided from operating activities before income tax paid	5,740,669	3,411,471
Income tax paid	(1,051,102)	(737,464)
Cash flows from operations	4,689,567	2,674,007
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(1,093,170)	(1,027,990)
Proceeds from sale of property and equipment	98	313
Financial assets held to maturity	(8,984,523)	-
Cash flows used in investing activities	(10,077,595)	(1,027,677)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(6,000,033)
Cash flows used in financing activities	-	(6,000,033)
Net increase in cash and cash equivalents	(5,388,028)	(4,353,703)
Effect of changes in exchange rates on cash and cash equivalents	(116,818)	375,615
Cash and cash equivalents as at the beginning of the year	16,428,817	13,190,286
Cash and cash equivalents as at the end of the period (note 11)	10,923,971	9,212,198

SB JSC “Bank Home Credit”
Condensed Interim Statement of Changes in Equity for the three-month period ended 31 March 2017

KZT'000	Share capital	Retained earnings	Total equity
Balance as at 1 January 2016	5,199,503	26,666,940	31,866,443
Profit and total comprehensive income for the three-month period (unaudited)	-	2,318,328	2,318,328
Dividends paid (unaudited)	-	(6,000,033)	(6,000,033)
Balance as at 31 March 2016 (unaudited)	5,199,503	22,985,235	28,184,738
Balance as at 1 January 2017	5,199,503	30,986,307	36,185,810
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

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 31 March 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 31 March 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, recent depreciation of the Kazakhstan tenge, and reductions in the global price of oil, have increased the level of uncertainty in the business environment. The condensed interim financial information reflects the management's assessment of the impact of the Kazakhstan business environment on the operations and financial position of the Bank. The future business environment may differ from the management's assessment.

2 Basis of preparation

(a) Statement of compliance

The condensed interim financial information is prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

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

(c) Functional and presentation currency

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

2 Basis of preparation, continued

(c) Functional and presentation currency, continued

The KZT is also the presentation currency for the purposes of this condensed interim financial information.

Condensed interim financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

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

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

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

- commission income from insurance – Notes 5;
- financial instruments at fair value through profit or loss – Note 27;
- loan impairment estimates – Note 12.

3 Significant accounting policies

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

4 Net interest income

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Interest income		
Loans to customers	10,759,364	8,327,342
Cash and cash equivalents	244,865	120,856
Financial assets held to maturity	90,205	-
Placements with banks and other financial institutions	-	23,590
	11,094,434	8,471,788
Interest expense		
Current accounts and deposits from customers	2,501,596	722,242
Deposits and balances from banks	657,199	1,103,395
Debt securities issued	170,810	341,749
Certificates of deposit	16,320	-
	3,345,925	2,167,386
	7,748,509	6,304,402

5 Fee and commission income

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Commission income from insurance	2,294,262	2,336,316
Fees from retailers	1,218,345	313,792
Contractual penalties from customers	286,804	907,947
Cards' operations	29,498	30,527
Transfer operations	9,296	6,152
Cash withdrawal	449	411
Other	30,238	14,181
	3,868,892	3,609,326

6 Fee and commission expense

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Commissions paid to partners	162,023	143,910
Commissions paid for verification services	124,263	76,698
Deposit insurance fund contributions	43,130	13,015
Card processing	33,138	16,827
Settlements	8,442	8,230
Other	2,633	7,136
	373,629	265,816

7 Net foreign exchange gain (loss)

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Translation differences, net	394,915	(242,795)
Dealing, net	(27)	14,340
	394,888	(228,455)

8 Impairment losses

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Loans to customers	(422,515)	1,486,906
Other assets	64,747	58,969
	(357,768)	1,545,875

9 General administrative expenses

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Employee compensation and payroll related taxes	2,769,920	2,479,465
Depreciation and amortisation	566,756	432,876
Information technology	388,404	349,268
Collectors' services	281,730	242,453
Occupancy	264,625	249,707
Telecommunication and postage	209,521	166,826
Taxes other than income tax	193,193	154,968
Professional services	162,306	134,295
Advertising and marketing	144,659	212,496
Travel expenses	71,388	43,929
Other	132,861	131,484
	5,185,363	4,597,767

10 Income tax expense

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Current tax expense		
Current year tax expense	1,488,283	779,083
	1,488,283	779,083
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	(81,568)	(72,461)
Total income tax expense	1,406,715	706,622

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

Reconciliation of effective tax rate:

	Unaudited three-month period ended 31 March 2017 KZT'000	%	Unaudited three-month period ended 31 March 2016 KZT'000	%
Profit before income tax	6,302,019		3,024,950	
Income tax at the applicable tax rate	1,260,404	20.0	604,990	20.0
Non-deductible costs	146,311	2.3	101,632	3.4
	1,406,715	22.3	706,622	23.4

11 Cash and cash equivalents

	Unaudited	
	31 March 2017	31 December 2016
	KZT'000	KZT'000
Cash on hand	2,925,693	3,850,221
Nostro accounts with the NBRK	322,499	465,487
Nostro accounts with other banks		
- rated from A- to A+	84,875	-
- rated from BBB- to BBB+	-	561,490
- rated from BB- to BB+	12,940	68,977
- rated below B+	75,881	75,298
Cash equivalents		
Term deposits with the NBRK with original maturities of less than three months	7,502,083	10,406,356
Term deposits with other banks with original maturities of less than three months		
- rated B	-	1,000,988
	10,923,971	16,428,817

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 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 7,824,582 thousand (31 December 2016: KZT 10,871,843 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 2017, the minimum reserve is KZT 834,695 thousand (31 December 2016: KZT 792,733 thousand).

12 Loans to customers

	Unaudited	
	31 March 2017	31 December 2016
	KZT'000	KZT'000
Loans to individuals		
Cash loans	72,467,207	73,549,504
POS loans	47,496,196	44,948,116
Credit cards	7,180,317	5,997,194
Total loans to individuals	127,143,720	124,494,814
Impairment allowance	(6,516,886)	(6,797,502)
Net loans to individuals	120,626,834	117,697,312

12 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the three-month period ended 31 March 2017 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

Movements in the loan impairment allowance by classes of loans to customers for the three-month period ended 31 March 2016 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	8,015,372	3,096,131	131,832	11,243,335
Net charge	874,081	563,382	49,443	1,486,906
Net write-offs	(1,600,406)	(820,905)	(52,298)	(2,473,609)
Balance at the end of the three-month period	7,289,047	2,838,608	128,977	10,256,632

(a) Credit quality of loans to customers

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans, %
Loans to individuals				
- not overdue	114,090,156	(700,326)	113,389,830	0.61
- overdue less than 90 days	7,041,899	(2,032,845)	5,009,054	28.87
- overdue 90-360 days	6,011,665	(3,783,715)	2,227,950	62.94
Total loans to individuals	127,143,720	(6,516,886)	120,626,834	5.13

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, %
Loans to individuals				
- 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
Total loans to individuals	124,494,814	(6,797,502)	117,697,312	5.46

12 Loans to customers, continued

(a) Credit quality of loans to customers, continued

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 31 March 2017 total impairment allowance to non-performing loans is 108% (31 December 2016: 105%).

Loans overdue 360 days are written off.

(b) Key assumptions and judgments for estimating loan impairment

The Bank estimates the impairment on loans to customers in accordance with the accounting policy. The key assumptions used in estimating impairment losses for the current period are as follows:

- loss migration rates are constant and can be estimated based on the historical loss migration pattern for the past twelve months;
- unsecured loans which borrowers are unable to repay in full can be partially recovered through further collection actions for 23%-28% of the loan's outstanding principal balances.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loan impairment allowance on loans to customers as at 31 March 2017 would be KZT 1,206,268 thousand lower/higher (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 31 March 2017, the Bank had no borrowers whose loan balances exceed 10% of the Bank's equity (31 December 2016: none).

13 Property, equipment and intangible assets

	Unaudited	
	31 March 2017	31 December 2016
	KZT'000	KZT'000
Acquisition cost	11,876,855	11,163,696
Accumulated depreciation and amortisation	(4,751,627)	(4,340,842)
Carrying amount	7,125,228	6,822,854

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

14 Other assets

	Unaudited	
	31 March 2017	31 December 2016
	KZT'000	KZT'000
Receivables from retailer fees	1,210,986	1,490,585
Loans and advances to banks	1,831	1,737
Total other financial assets	1,212,817	1,492,322
Prepayments	569,056	434,240
Inventory	287,878	208,333
Deferred tax asset	280,916	199,348
Receivables from employees	80,135	79,215
Prepayment of taxes other than income tax	15,293	14,090
Other	78,423	21,865
Impairment allowance	(33,757)	(29,052)
Total other non-financial assets	1,277,944	928,039
Total other assets	2,490,761	2,420,361

Analysis of movements in the impairment allowance

Movements in the impairment allowance for other assets for the periods ended 31 March 2017 and 31 December 2016 are as follows:

	Unaudited	
	31 March 2017	31 December 2016
	KZT'000	KZT'000
Balance at the beginning of the period	29,052	3,236
Net charge	60,820	231,445
Net write-offs	(56,115)	(205,629)
Balance at the end of the period	33,757	29,052

As at 31 March 2017 the Bank had gross overdue receivables of KZT 36,648 thousand (31 December 2016: KZT 32,098 thousand) included in other assets.

15 Deposits and balances from banks

	Unaudited	
	31 March 2017	31 December 2016
	KZT'000	KZT'000
Vostro accounts	4,484	2,802
Term deposits	15,400,744	20,273,531
	15,405,228	20,276,333

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

16 Current accounts and deposits from customers

	Unaudited	
	31 March 2017	31 December 2016
	KZT'000	KZT'000
Current accounts and demand deposits		
- Retail	6,771,069	7,182,385
- Corporate	390,264	1,104,082
Term deposits		
- Retail	38,595,797	32,206,873
- Corporate	34,876,001	33,025,187
	80,633,131	73,518,527

As at 31 March 2017, the Bank had one customer (31 December 2016: one customer), whose balances exceeded 10% of the Bank's equity. As at 31 March 2017 these balances amounted to KZT 6,231,052 thousand (31 December 2016: KZT 5,231,356 thousand).

17 Debt securities issued

		Unaudited	
		31 March	31 December
	Maturity	2017	2016
		KZT'000	KZT'000
Unsecured KZT denominated bonds of the 1 st issue program 2*	February 2019	9.5	6,769,588
		6,769,588	6,920,282

*Quoted on the Kazakhstan Stock Exchange

18 Certificates of deposit

		Unaudited	
		31 March	31 December
	Interest rate,	2017	2016
	%	KZT'000	KZT'000
Certificates of deposit*	18.00	332,651	318,616
Certificates of deposit*	16.00	118,497	-
		451,148	318,616

*Unsecured 1-year bank certificates of deposit for individuals

19 Other liabilities

	Unaudited	
	31 March 2017	31 December 2016
	KZT'000	KZT'000
Payables to partners	822,136	2,627,539
Payables for services	707,031	869,901
Total other financial liabilities	1,529,167	3,497,440
Payables to employees	1,251,015	1,042,822
Current tax liability	1,035,251	598,070
Taxes payable other than income tax	527,485	245,232
Vacation reserve	525,415	542,809
Other non-financial liabilities	34,001	10,972
Total other non-financial liabilities	3,373,167	2,439,905
Total other liabilities	4,902,334	5,937,345

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

20 Equity

(a) Issued capital

As at 31 March 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.

(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 35,881,611 thousand (31 December 2016: KZT 30,986,307 thousand).

No dividends were declared and paid during the three-month period ended 31 March 2017 (31 December 2016: KZT 13,000,037 thousand, KZT 372,600.7 per share in accordance with the decisions of the Bank's sole shareholder).

(c) Statutory reserve capital

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

In 2014, the dynamic reserve was temporarily fixed by the NBRK on the level recognised at 31 December 2013. As at 31 March 2017 and 31 December 2016 the non-distributable dynamic reserve is nil.

21 Book value per share

The calculation of book value per share as at 31 March 2017 is based on the 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:

	Unaudited 31 March 2017 KZT'000	31 December 2016 KZT'000
Total assets	150,151,317	143,369,344
Intangible assets	(4,452,957)	(4,192,050)
Total liabilities	(109,070,203)	(107,183,534)
Net assets	36,628,157	31,993,760

The following table shows the book value per share calculations as at 31 March 2017 and 31 December 2016:

	Unaudited 31 March 2017	31 December 2016
Net assets, KZT'000	36,628,157	31,993,760
Outstanding number of ordinary shares at the end of the period, share	34,890	34,890
Book value per share, in KZT	1,049,818	916,989

22 Earnings per share

The calculation of basic earnings per share for the three-month periods ended 31 March 2017 and 2016 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 2017	Unaudited three-month period ended 31 March 2016
Net profit attributable to ordinary shareholders, KZT'000	4,895,304	2,318,328
Weighted average number of ordinary shares	34,890	34,890
Earnings per share, in KZT	140,307	66,447

There are no potentially dilutive shares for the three-month period ended 31 March 2017 or 31 March 2016.

23 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements, set by the NBRK the Bank has to maintain a ratio of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 31 March 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 31 March 2017 and 31 December 2016.

23 Capital management, continued

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

	Unaudited 31 March 2017 KZT'000	31 December 2016 KZT'000
Tier 1 capital		
Share capital	5,199,503	5,199,503
Retained earnings of prior years	30,986,307	13,666,903
Profit for the period	4,895,304	17,319,404
Intangible assets	(4,452,957)	(4,192,050)
Total tier 1 capital	36,628,157	31,993,760
Total tier 2 capital	-	-
Total capital	36,628,157	31,993,760
Total credit risk-weighted assets	177,736,506	137,995,557
Total credit risk-weighted assets and liabilities, including market and operational risk	210,826,670	168,457,058
Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)	0.174	0.190
Total tier 1 capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital ratio)	0.174	0.190

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

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 2017 KZT'000	31 December 2016 KZT'000
Contracted amount		
Loan and credit line commitments	7,081,330	5,090,131
	7,081,330	5,090,131

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

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 2017 KZT 238,602 thousand 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 2016: KZT 222,835 thousand).

As at 31 March 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).

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 2017 and 2016 was as follows:

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Members of the Board of Directors	126,448	73,008
Members of the Management Board	139,171	184,118
	265,619	257,126

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

	Unaudited 31 March 2017 KZT'000	Average interest rate, %	31 December 2016 KZT'000	Average interest rate, %
Statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	69,210	1.76	218,250	1.92

26 Related party transactions, continued

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

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 period ended 31 March 2017 and 2016 were as follows:

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Statement of profit or loss and other comprehensive income		
Interest expense	802	-
	802	-

(c) Transactions with the parent

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

	Unaudited 31 March 2017 KZT'000	Average interest rate, %	31 December 2016 KZT'000	Average interest rate, %
Statement of financial position				
ASSETS				
Cash and cash equivalents				
-In USD	113	-	120	-
-In EUR	106	-	112	-
-In RUB	41	-	40	-
LIABILITIES				
Deposits and balances from banks				
-In USD	314	-	333	-

During the three-month periods ended 31 March 2017 and 2016 transactions with the parent included in the statement of profit or loss and other comprehensive income were as follows:

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Statement of profit or loss and other comprehensive income		
Interest expense		
Deposits and balances from banks		
-In KZT	-	1,007,757
Net loss on financial instruments at fair value through profit or loss		
-In USD	-	749,081

26 Related party transactions, continued

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

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

	Unaudited 31 March 2017 KZT'000	Average interest rate, %	31 December 2016 KZT'000	Average interest rate, %
Statement of financial position				
ASSETS				
Property, equipment and intangible assets				
-In KZT	3,245,771	-	2,892,291	-
LIABILITIES				
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	908,774	-	212,431	-
Other financial liabilities				
-In EUR	155,010	-	132,862	-

During the three-month periods ended 31 March 2017 and 2016 transactions with entities controlled by the ultimate controlling owner included in the statement of profit or loss and other comprehensive income were as follows:

	Unaudited three-month period ended 31 March 2017 KZT'000	Unaudited three-month period ended 31 March 2016 KZT'000
Statement of profit or loss and other comprehensive income		
Interest income		
Placements with banks and other financial institutions		
-In USD	-	23,590
Interest expense		
Deposits and balances from banks		
-In KZT	11,223	21,218
Current accounts and deposits from customers		
-In KZT	-	8,948
	11,223	30,166
Net loss on financial instruments at fair value through profit or loss		
-In USD	696,343	-
General administrative expenses		
General administrative expenses	607,122	526,914

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 2017:

KZT'000	Held for trading	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	7,998,278	-	7,998,278	7,998,278
Loans to customers	-	120,626,834	-	120,626,834	120,626,834
Financial assets held to maturity	-	8,984,523	-	8,984,523	8,984,523
Other financial assets	-	1,212,817	-	1,212,817	1,212,817
	-	138,822,452	-	138,822,452	138,822,452
Financial instruments at fair value through profit or loss	908,774	-	-	908,774	908,774
Deposits and balances from banks	-	-	15,405,228	15,405,228	15,971,273
Current accounts and deposits from customers	-	-	80,633,131	80,633,131	83,806,016
Debt securities issued	-	-	6,769,588	6,769,588	6,713,261
Certificates of deposit	-	-	451,148	451,148	451,148
Other financial liabilities	-	-	1,529,167	1,529,167	1,529,167
	908,774	-	104,788,262	105,697,036	109,379,639

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
	-	131,768,230	-	131,768,230	131,768,230
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
	212,431	-	104,531,198	104,743,629	108,465,359

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

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

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

(a) Accounting classifications and fair values, continued

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.

28 Subsequent events

In April 2017 the Bank declared and paid out dividends in amount of KZT 9,000,015 thousand (KZT 257,954 per share) for the year ended 31 December 2016 in accordance with the decision of the Bank's sole shareholder.