

SB JSC “Bank Home Credit”

Interim Condensed
Financial Information
for the nine-month period
ended 30 September 2017


Contents

Interim Condensed Statement of Profit or Loss	3
Interim Condensed Statement of Comprehensive Income	4
Interim Condensed Statement of Financial Position	5
Interim Condensed Statement of Cash Flows	6
Interim Condensed Statement of Changes in Equity	7
Notes to the Interim Condensed Financial Information	8-25

SB JSC "Bank Home Credit"
Interim Condensed Statement of Profit or Loss
for the nine-month period ended 30 September 2017

		Unaudited nine-month period ended 30 Sep 2017 KZT'000	Unaudited nine-month period ended 30 Sep 2016 KZT'000	Unaudited three-month period ended 30 Sep 2017 KZT'000	Unaudited three-month period ended 30 Sep 2016 KZT'000
Interest income	4	38,373,853	26,712,414	13,913,340	9,409,379
Interest expense	4	(10,899,162)	(7,954,462)	(3,944,545)	(3,123,148)
Net interest income		27,474,691	18,757,952	9,968,795	6,286,231
Fee and commission income	5	11,070,083	12,871,111	3,988,501	4,744,335
Fee and commission expense	6	(1,203,831)	(881,578)	(437,035)	(320,425)
Net fee and commission income		9,866,252	11,989,533	3,551,466	4,423,910
Net (loss) gain on financial instruments at fair value through profit or loss	7	(72,516)	(633,802)	705,601	(74,011)
Net foreign exchange (loss) gain		(362,292)	124,236	(575,512)	129,980
Other operating income, net		261,254	187,444	86,941	80,498
Operating income		37,167,389	30,425,363	13,737,291	10,846,608
Impairment recoveries (losses)	8	729,288	(1,732,574)	(258,683)	214,771
General administrative expenses	9	(16,982,941)	(13,928,977)	(6,427,503)	(4,547,501)
Profit before income tax		20,913,736	14,763,812	7,051,105	6,513,878
Income tax expense	10	(4,365,031)	(3,097,955)	(1,433,296)	(1,307,249)
Profit and total comprehensive income for the period		16,548,705	11,665,857	5,617,809	5,206,629

The interim condensed financial information as set out on pages 3 to 25 was approved by the Management on 13 November 2017 and was signed on its behalf by:


Narine Nadirova
Acting Chairman of the Board


Gaukhar Massangaliyeva
Chief Accountant

SB JSC “Bank Home Credit”
Interim Condensed Statement of Comprehensive Income
for the nine-month period ended 30 September 2017

	Unaudited nine-month period ended 30 Sep 2017 KZT'000	Unaudited nine-month period ended 30 Sep 2016 KZT'000	Unaudited three-month period ended 30 Sep 2017 KZT'000	Unaudited three-month period ended 30 Sep 2016 KZT'000
Profit for the period, recognised in interim condensed statement of profit or loss	16,548,705	11,665,857	5,617,809	5,206,629
Revaluation reserve for financial assets available for sale	(4,468)	-	(4,468)	-
Total comprehensive income for the period	16,544,237	11,665,857	5,613,341	5,206,629

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

		Unaudited	
	Note	30 September 2017	31 December 2016
		KZT'000	KZT'000
ASSETS			
Cash and cash equivalents	11	11,825,840	16,428,817
Loans to customers	12	157,830,793	117,697,312
Financial assets available for sale	13	6,739,764	-
Financial instruments at fair value through profit or loss	14	473,771	-
Property, equipment and intangible assets	15	7,529,942	6,822,854
Other assets		2,228,815	2,420,361
Total assets		186,628,925	143,369,344
LIABILITIES			
Financial instruments at fair value through profit or loss		-	212,431
Deposits and balances from banks	16	30,077,000	20,276,333
Current accounts and deposits from customers	17		
- Current accounts and deposits from corporate customers		35,265,459	34,129,269
- Current accounts and deposits from retail customers		53,565,403	39,389,258
Debt securities issued	18	17,285,088	6,920,282
Certificates of deposit		737,659	318,616
Other liabilities		5,968,284	5,937,345
Total liabilities		142,898,893	107,183,534
EQUITY			
Share capital	19	5,199,503	5,199,503
Revaluation reserve for financial assets available for sale		(4,468)	-
Retained earnings	19	38,534,997	30,986,307
Total equity		43,730,032	36,185,810
Total liabilities and equity		186,628,925	143,369,344

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

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	34,982,357	25,526,188
Interest payments	(10,102,450)	(5,611,852)
Fee and commission receipts	11,907,548	12,969,506
Fee and commission payments	(1,186,280)	(842,607)
Net payments from financial instruments at fair value through profit or loss	(758,718)	(571,899)
Net (payments) receipts from foreign exchange transactions	(564,027)	343,704
Other income receipts, net	261,254	187,444
General administrative expenses	(14,787,723)	(12,220,344)
(Increase) decrease in operating assets		
Loans and advances to banks	(1,292)	298
Loans to customers	(36,573,444)	(4,125,982)
Financial assets available for sale	(6,828,268)	-
Other assets	(956,101)	(190,458)
Increase (decrease) in operating liabilities		
Deposits and balances from banks	9,472,599	(1,354,908)
Current accounts and deposits from customers	15,300,319	11,945,242
Certificates of deposit	356,500	-
Other liabilities	252,446	(4,909)
Net cash flows from operations before income tax paid	774,720	26,049,423
Income tax paid	(4,236,937)	(2,005,474)
Cash flows (used in) from operating activities	(3,462,217)	24,043,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets held to maturity	-	(13,179,883)
Purchases of property, equipment and intangible assets	(2,325,892)	(2,296,511)
Proceeds from sale of property and equipment	8,240	12,859
Cash flows used in investing activities	(2,317,652)	(15,463,535)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from the debt securities issue	10,000,000	-
Dividends paid	(9,000,015)	(9,000,050)
Cash flows from (used in) financing activities	999,985	(9,000,050)
Net decrease in cash and cash equivalents	(4,779,884)	(419,636)
Effect of changes in exchange rates on cash and cash equivalents	176,907	(255,329)
Cash and cash equivalents as at the beginning of the period	16,428,817	13,190,286
Cash and cash equivalents as at the end of the period (Note 11)	11,825,840	12,515,321

6

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 available for sale	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 nine-month period (unaudited)	-	-	11,665,857	11,665,857
Dividends paid (unaudited)	-	-	(9,000,050)	(9,000,050)
Balance as at 30 September 2016 (unaudited)	5,199,503	-	29,332,747	34,532,250
Balance as at 1 January 2017	5,199,503	-	30,986,307	36,185,810
Profit and total comprehensive income for the nine-month period (unaudited)	-	-	16,548,705	16,548,705
Revaluation reserve for financial assets available for sale	-	(4,468)	-	(4,468)
Dividends paid (unaudited)	-	-	(9,000,015)	(9,000,015)
Balance as at 30 September 2017 (unaudited)	5,199,503	(4,468)	38,534,997	43,730,032

1 Background

(a) Organisation and operations

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

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

The registered address of the Bank’s head office is 248, Furmanov Street, Almaty, Republic of Kazakhstan, 050059. As at 30 September 2017, the Bank had 17 branches and 41 bank offices (31 December 2016: 17 branches and 41 bank offices).

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

As at 30 September 2017 the Bank was 100% owned by Home Credit and Finance Bank incorporated in the Russian Federation. The ultimate controlling owner of the Bank is Petr Kellner, who exercises control over Home Credit and Finance Bank through PPF Group N.V. registered in the Netherlands.

(b) Kazakhstan business environment

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

2 Basis of preparation

(a) Statement of compliance

This interim condensed financial information is prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting* (“IAS 34”). It does not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2016, as this interim condensed financial information provides an update of previously reported financial information.

2 Basis of preparation, continued

(b) Basis of measurement

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

(c) Functional and presentation currency

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

The KZT is also the presentation currency for the purposes of this interim condensed financial information. Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of interim condensed financial information in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

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

In preparing this interim condensed financial information significant judgements made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2016.

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

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

3 Significant accounting policies

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

(a) Comparative information

Prior period reclassification

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

In the comparative information for the nine-month period ended 30 September 2016 in the interim condensed statement of profit or loss and other comprehensive income other income from customers due to early repayment of loans in the amount of KZT 199,485 thousand was reclassified from other operating income to fee and commission income. Corresponding reclassification was also made in the comparative information in the interim condensed statement of cash flows. Management believes that this presentation is more appropriate presentation in accordance with IFRS.

3 Significant accounting policies, continued

(a) Comparative information, continued

Prior period reclassification, continued

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 nine-month period ended 30 September 2016			
Other operating income, net	187,444	(199,485)	386,929
Fee and commission income	12,871,111	199,485	12,671,626
Interim condensed statement of cash flows for the nine-month period ended 30 September 2016			
Other income receipts, net	187,444	(199,485)	386,929
Fee and commission receipts	12,969,506	199,485	12,770,021

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

4 Net interest income

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Interest income		
Loans to customers	37,611,431	25,748,350
Cash and cash equivalents	630,576	712,136
Financial assets held to maturity	128,418	251,928
Financial assets available for sale	3,428	-
	38,373,853	26,712,414
Interest expense		
Current accounts and deposits from customers	8,060,540	3,711,280
Deposits and balances from banks	1,758,592	3,217,328
Debt securities issued	1,016,325	1,025,854
Certificates of deposit	63,705	-
	10,899,162	7,954,462
	27,474,691	18,757,952

5 Fee and commission income

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Commission income from insurance	7,725,376	8,997,913
Fees from retailers	1,555,572	1,409,709
Contractual penalties from customers	1,039,670	2,088,494
Card operations	89,498	89,638
Transfer operations	54,104	18,952
Cash withdrawal	1,560	1,810
Other	604,303	264,595
	11,070,083	12,871,111

6 Fee and commission expense

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Commissions paid to partners	477,578	423,642
Commissions paid for verification services	421,066	275,284
Deposit insurance fund contributions	143,449	55,819
Card processing	116,623	61,811
Settlements	26,593	23,273
Other	18,522	41,749
	1,203,831	881,578

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

For the nine-month period ended 30 September 2017 the Bank recognised net gain on financial instruments at fair value through profit or loss on short-term currency swap operations concluded on the Kazakhstan stock exchange in the amount of KZT 152,582 thousand (nine-month period ended 30 September 2016: net gain of KZT 491,095 thousand, unaudited), and net loss on 1-year currency swap operations concluded with PPF Bank A.S. in the amount of KZT 225,098 thousand (Note 14) (nine-month period ended 30 September 2016: net loss on short-term swap operations concluded with Home Credit and Finance Bank equalled to KZT 1,057,994 thousand and net loss on long-term swap operations concluded with PPF Bank A.S. equalled to KZT 66,903 thousand), unaudited.

8 Impairment recoveries (losses)

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Loans to customers	885,058	(1,585,714)
Other assets	(155,770)	(146,860)
	729,288	(1,732,574)

9 General administrative expenses

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Employee compensation and payroll related taxes	9,033,032	7,276,190
Depreciation and amortisation	1,758,588	1,412,916
Information technology	1,357,758	988,172
Occupancy	840,966	738,372
Collectors' services	810,235	803,033
Professional services	803,728	492,043
Telecommunication and postage	793,388	578,804
Taxes other than income tax	547,301	502,260
Advertising and marketing	436,068	616,322
Travel expenses	214,745	175,066
Other	387,132	345,799
	16,982,941	13,928,977

10 Income tax expense

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Current tax expense		
Current tax expense	4,297,344	3,246,911
Current tax expense overprovided in prior periods	(54,071)	-
	4,243,273	3,246,911
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	121,758	(148,956)
Total income tax expense	4,365,031	3,097,955

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

Reconciliation of effective tax rate:

	Unaudited nine-month period ended 30 September 2017 KZT'000		Unaudited nine-month period ended 30 September 2016 KZT'000	
		%		%
Profit before income tax	20,913,736		14,763,812	
Income tax at the applicable tax rate	4,182,747	20.0	2,952,762	20.0
Non-deductible costs	236,355	1.1	145,193	1.0
Overprovided in prior periods	(54,071)	(0.3)	-	-
	4,365,031	20.9	3,097,955	21.0

11 Cash and cash equivalents

	Unaudited	
	30 September 2017	31 December 2016
	KZT'000	KZT'000
Cash on hand	4,047,501	3,850,221
Nostro accounts with the NBRK	313,502	465,487
Placements with NBRK due within one months	5,652,903	10,406,356
Nostro accounts with other banks:		
- rated from A- to A+	327,894	-
- rated from BBB- to BBB	-	561,490
- rated from BB- to BB+	42,404	68,977
- rated below B+	75,527	75,298
Placements with banks		
- rated below B+	1,366,109	1,000,988
	11,825,840	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 30 September 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 5,966,405 thousand, unaudited (31 December 2016: KZT 10,871,843 thousand).

12 Loans to customers

	Unaudited	
	30 September 2017	31 December 2016
	KZT'000	KZT'000
Loans to individuals		
Cash loans	95,108,737	73,549,504
POS loans	59,040,442	44,948,116
Credit cards	10,483,951	5,997,194
Total loans to individuals	164,633,130	124,494,814
Impairment allowance	(6,802,337)	(6,797,502)
Net loans to individuals	157,830,793	117,697,312

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

	Cash	POS	Credit	Total
	loans	loans	cards	Total
	KZT'000	KZT'000	KZT'000	KZT'000
Balance at the beginning of the nine-month period	4,071,398	2,479,704	246,400	6,797,502
Net (reversals) charge	(2,609,368)	1,495,583	228,727	(885,058)
Net (write-offs) recoveries	1,707,785	(647,828)	(170,064)	889,893
Balance at the end of the nine-month period	3,169,815	3,327,459	305,063	6,802,337

12 Loans to customers, continued

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

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

a) Credit quality of loans to customers

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans %
Loans to individuals				
- not overdue	149,984,098	(726,273)	149,257,825	0.48
- overdue less than 90 days	7,753,751	(1,955,147)	5,798,604	25.22
- overdue 90-360 days	6,895,281	(4,120,917)	2,774,364	59.76
Total loans to individuals	164,633,130	(6,802,337)	157,830,793	4.13

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

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 30 September 2017 total impairment allowance to non-performing loans was 99% (31 December 2016: 105%).

Share of impairment allowance to gross loans has decreased as a result of substantially improved ageing structure of portfolio reflected in decrease of NPL from 10.30% as at 31 December 2015 down to 5.22% as at 31 December 2016 and down to 4.19% as at 30 September 2017.

	Unaudited 30 September 2017 KZT'000	31 December 2016 KZT'000
Total gross loans to individuals	164,633,130	124,494,814
- overdue 90-360 days (non-performing loans)	6,895,281	6,494,776
NPL, %	4.19	5.22

Loans overdue for 360 days are written off.

12 Loans to customers, continued

(b) Key assumptions and judgments for estimating loan impairment

The Bank estimates loan impairment for loans to individuals based on its past historical loss experience on each type of loan. Significant assumptions used by management in determining impairment losses for loans to individuals include loss migration rates which are consistent with recent experience and can be estimated based on the historical loss migration pattern for the past twelve months. Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loan impairment allowance on loans to customers as at 30 September 2017 would be KZT 1,578,308 thousand lower/higher, unaudited (31 December 2016: KZT 1,176,973 thousand).

(c) Loan collateral

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

(d) Significant credit exposures

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

13 Financial assets available for sale

	Unaudited 30 September 2017 KZT'000	31 December 2016 KZT'000
US government treasury discount bonds	6,744,242	-
Negative fair value adjustments of financial assets available-for-sale	(4,478)	-
	6,739,764	-

14 Financial instruments at fair value through profit or loss

Type of instrument	Notional amount	Maturity	Payments to be made by the Bank	Payments to be received by the Bank	Unaudited Fair value asset, KZT'000
Foreign currency swap	USD 10,000,000	17/08/2018	KZT 3,329,000 thousand at maturity	USD 10,000,000 at maturity	144,476
Foreign currency swap	USD 10,000,000	24/08/2018	KZT 3,329,000 thousand at maturity	USD 10,000,000 at maturity	165,746
Foreign currency swap	USD 10,000,000	19/09/2018	KZT 3,357,500 thousand at maturity	USD 10,000,000 at maturity	163,549

As at 30 September 2017, financial instruments at fair value through profit or loss include currency swap agreements signed in August-September 2017 with PPF Banka, under which the Bank should deliver KZT 10,015,500 thousand in 2018 in exchange for USD 30,000 thousand. The resultant unrealised gains and losses on these unmaturing contracts, together with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate (Note 7).

15 Property, equipment and intangible assets

	Unaudited	
	30 September 2017	31 December 2016
	KZT'000	KZT'000
Acquisition cost	13,432,347	11,163,696
Accumulated depreciation and amortisation	(5,902,405)	(4,340,842)
Carrying amount	7,529,942	6,822,854

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

16 Deposits and balances from banks

	Unaudited	
	30 September 2017	31 December 2016
	KZT'000	KZT'000
Vostro accounts	66,522	2,802
Term deposits	30,010,478	20,273,531
	30,077,000	20,276,333

As at 30 September 2017 the Bank had two counterparties whose balances exceeded 10% of the Bank's equity with the amount of KZT 13,235,252 thousand, unaudited (31 December 2016: none).

17 Current accounts and deposits from customers

	Unaudited	
	30 September 2017	31 December 2016
	KZT'000	KZT'000
Corporate		
- Current accounts	316,792	1,104,082
- Term deposits	34,948,667	33,025,187
Current accounts and deposits from corporate customers	35,265,459	34,129,269
Retail		
- Current accounts	7,315,479	7,182,385
- Term deposits	46,249,924	32,206,873
Current accounts and deposits from retail customers	53,565,403	39,389,258
	88,830,862	73,518,527

As at 30 September 2017 the Bank had one customer whose balances exceeded 10% of the Bank's equity and amounted to KZT 4,405,754 thousand, unaudited (31 December 2016: one customer whose balances amounted to KZT 5,231,356 thousand).

18 Debt securities issued

			Unaudited	
	Maturity	Coupon rate, %	30 September 2017	31 December 2016
			KZT'000	KZT'000
Unsecured KZT denominated bonds of the 1 st issue program 2*	February 2019	9.5	6,790,820	6,920,282
Unsecured KZT denominated bonds of the 2 nd issue program 2*	May 2020	15.0	10,494,268	-
			17,285,088	6,920,282

* Quoted on the Kazakhstan Stock Exchange.

19 Equity

(a) Issued capital

As at 30 September 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 38,534,997 thousand, unaudited (31 December 2016: KZT 30,986,307 thousand).

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

20 Book value per share

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

	Unaudited	
	30 September 2017	31 December 2016
	KZT'000	KZT'000
Total assets	186,628,925	143,369,344
Intangible assets	(4,376,649)	(4,192,050)
Total liabilities	(142,898,893)	(107,183,534)
Net assets	39,353,383	31,993,760

The following table shows the book value per share calculations:

	Unaudited	
	30 September 2017	31 December 2016
Net assets, KZT'000	39,353,383	31,993,760
Outstanding number of ordinary shares at the end of the period	34,890	34,890
Book value per share, KZT	1,127,927	916,989

21 Earnings per share

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

	Unaudited	Unaudited
	nine-month	nine-month
	period ended	period ended
	30 September 2017	30 September 2016
Net profit attributable to ordinary shareholders, KZT'000	16,548,705	11,665,857
Weighted average number of ordinary shares	34,890	34,890
Earnings per share, KZT	474,311	334,361

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

22 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the NBRK the Bank has to maintain: a ratio of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 30 September 2017, this minimum level of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk was 0.055 (31 December 2016: 0.050) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 0.080 (31 December 2016: 0.075). The Bank was in compliance with the statutory capital requirements as at 30 September 2017, unaudited and 31 December 2016.

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

	Unaudited 30 September 2017 KZT'000	31 December 2016 KZT'000
Tier 1 capital		
Share capital	5,199,503	5,199,503
Retained earnings of prior years	21,986,292	13,666,903
Profit for the period	16,548,705	17,319,404
Revaluation reserve for financial assets available for sale	(4,468)	-
Intangible assets	(4,376,649)	(4,192,050)
Total tier 1 capital	39,353,383	31,993,760
Total tier 2 capital	-	-
Total capital	39,353,383	31,993,760
Total credit risk-weighted assets	230,959,876	137,995,557
Total credit risk-weighted assets and liabilities, including market and operational risk	266,089,185	168,457,058
Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)	0.148	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)	0.148	0.190

23 Commitments

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

	Unaudited 30 September 2017 KZT'000	31 December 2016 KZT'000
Contracted amount		
Loan and credit line commitments	11,793,581	5,090,131
	11,793,581	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 30 September 2017 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank's equity, unaudited (31 December 2016: none).

24 Operating leases

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

During the nine-month period ended 30 September 2017 KZT 748,058 thousand was recognized as an expense in the statement of profit or loss in respect of operating leases (nine-month period ended 30 September 2016: KZT 664,732 thousand).

As at 30 September 2017 the Bank reported KZT 1,490 thousands of prepayments included in the balance of other assets serving as security deposits in case of an early termination of lease agreements (31 December 2016: KZT 1,386 thousand).

25 Related party transactions

(a) Control relationships

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

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

Total remuneration included in personnel expenses for the nine-month periods ended 30 September 2017 and 2016 was as follows:

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Members of the Board of Directors	282,988	193,804
Members of the Management Board	344,235	382,596
	627,223	576,400

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

	Unaudited 30 September 2017 KZT'000	Average interest rate, %	31 December 2016 KZT'000	Average interest rate, %
Interim condensed statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	53,531	2.86	218,250	1.92

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

25 Related party transactions, continued**(b) Transactions with the members of the Board of Directors and the Management Board, continued**

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Interim condensed statement of profit or loss		
Interest expense	1,469	198
	1,469	198

(c) Transactions with the parent

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

	Unaudited 30 September 2017 KZT'000	Average interest rate, %	31 December 2016 KZT'000	Average interest rate, %
Interim condensed statement of financial position				
ASSETS				
Cash and cash equivalents				
-In USD	123	-	120	-
-In EUR	128	-	112	-
-In RUB	43	-	40	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	10	-	-	-
-In USD	6,836,746	3.50	333	-

During the nine-month periods ended 30 September 2017 and 2016 transactions with the parent included in the interim condensed statement of profit or loss were as follows:

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Interim condensed statement of profit or loss		
Interest expense		
Deposits and balances from banks		
- In KZT	-	2,311,932
- In USD	12,577	-
	12,577	2,311,932
Net foreign exchange income		
- In USD	8,952	-
	8,952	-

25 Related party transactions, continued

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

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

	Unaudited 30 September 2017 KZT'000	Average interest rate, %	31 December 2016 KZT'000	Average interest rate, %
Interim condensed statement of financial position				
ASSETS				
Property, equipment and intangible assets				
-In KZT	3,285,761	-	2,892,291	-
Financial instruments at fair value through profit or loss				
-In USD	473,771	-	-	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	66,170	-	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	-	-	212,431	-
Other financial liabilities				
-In EUR	498,606	-	132,862	-

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

	Unaudited nine-month period ended 30 September 2017 KZT'000	Unaudited nine-month period ended 30 September 2016 KZT'000
Interim condensed statement of profit or loss		
Interest income		
Loans and advances to banks		
-In USD	-	48,575
	-	48,575
Interest expense		
Deposits and balances from banks		
-In KZT	11,223	69,572
Current accounts and deposits from customers		
-In KZT	-	8,948
	11,223	78,520
Net loss on financial instruments at fair value through profit or loss		
-In USD	225,098	66,903
	225,098	66,903
General administrative expenses		
General administrative expenses	2,264,311	1,680,073

26 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2017, unaudited:

KZT'000	Held for trading	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	7,778,339	-	7,778,339	7,778,339
Loans to customers	-	157,830,793	-	157,830,793	157,830,793
Financial assets available for sale	-	6,739,764	-	6,739,764	6,739,764
Financial instruments at fair value through profit or loss	473,771	-	-	473,771	473,771
Other financial assets	-	1,140,024	-	1,140,024	1,140,024
	473,771	173,488,920	-	173,962,691	173,962,691
Deposits and balances from banks	-	-	30,077,000	30,077,000	30,643,116
Current accounts and deposits from customers	-	-	88,830,862	88,830,862	90,836,200
Debt securities issued	-	-	17,285,088	17,285,088	17,714,873
Certificates of deposit	-	-	737,659	737,659	737,659
Other financial liabilities	-	-	2,691,504	2,691,504	2,691,504
	-	-	139,622,113	139,622,113	142,623,352

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.

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

(a) Accounting classifications and fair values, continued

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

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

(b) Fair value hierarchy

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

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

The Bank has a control framework with respect to the measurement of fair values. This framework includes a Financial markets unit function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models and changes to models involving both quarterly calibration and the back testing of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, by the Financial markets unit.

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

(b) Fair value hierarchy, continued

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

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

Significant valuation issues are reported to the Management Board.

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

KZT'000	Level 1
Financial assets available for sale	6,739,764
	6,739,764

KZT'000	Level 2
Financial instruments at fair value through profit or loss	
- Derivative assets	473,771
	473,771

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

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

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

(b) Fair value hierarchy, continued

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

KZT'000	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	7,778,339	-	7,778,339	7,778,339
Loans to customers	149,257,825	8,572,968	157,830,793	157,830,793
Other financial assets	1,140,024	-	1,140,024	1,140,024
Liabilities				
Deposits and balances from banks	30,643,116	-	30,643,116	30,077,000
Current accounts and deposits from customers	90,836,200	-	90,836,200	88,830,862
Debt securities issued	17,714,873	-	17,714,873	17,285,088
Certificates of deposit	737,659	-	737,659	737,659
Other financial liabilities	2,691,504	-	2,691,504	2,691,504

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

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

27 Subsequent events

In October 2017 the Bank issued own debt securities in the form of a 2- year coupon bonds with total nominal value of KZT 5,000,000 thousands with a coupon rate of 12.5% per annum size.