

**SB JSC “Bank Home Credit”**

Interim Condensed  
Financial Information  
for the six-month period  
ended 30 June 2016

## **Contents**

Independent Auditors’ Report on Review of Interim Condensed Financial Information	
Interim Condensed Statement of Profit or Loss and Other 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



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

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

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of SB JSC "Bank Home Credit" (the "Bank") as at 30 June 2016, and the related interim condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed financial information (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial information as at 30 June 2016 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

KPMG Audit



KPMG Audit LLC

8 August 2016

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

		Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
	Note		
Interest income	4	17,303,035	15,714,949
Interest expense	4	(4,831,314)	(3,208,935)
<b>Net interest income</b>		<b>12,471,721</b>	<b>12,506,014</b>
Fee and commission income	5	8,032,313	7,987,030
Fee and commission expense	6	(561,153)	(621,156)
<b>Net fee and commission income</b>		<b>7,471,160</b>	<b>7,365,874</b>
Net loss on financial instruments at fair value through profit or loss	7	(559,791)	(815,090)
Foreign exchange loss		(5,744)	(539,069)
Other operating income/(loss), net		201,409	(5,807)
<b>Operating income</b>		<b>19,578,755</b>	<b>18,511,922</b>
Impairment losses	8	(1,947,345)	(6,330,875)
General administrative expenses	9	(9,381,476)	(7,088,693)
<b>Profit before income tax</b>		<b>8,249,934</b>	<b>5,092,354</b>
Income tax expense	10	(1,790,706)	(1,632,576)
<b>Profit and total comprehensive income for the period</b>		<b>6,459,228</b>	<b>3,459,778</b>
Earnings per share, in KZT (basic and diluted)	19	185,131	99,162

The interim condensed financial information as set out on pages 4 to 25 was approved by the Management on 8 August 2016 and was signed on its behalf by:



Nadirova N. K.  
*Acting Chairman of the Board*

Massangaliyeva G. B.  
*Chief Accountant*

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

	Note	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
<b>ASSETS</b>			
Cash and cash equivalents	11	15,776,444	13,190,286
Loans and advances to banks		1,783	1,952
Loans to customers	12	91,855,947	96,629,836
Current tax assets		-	73,961
Property, equipment and intangible assets	13	6,796,360	5,880,416
Other assets		1,184,152	1,656,278
<b>Total assets</b>		<b>115,614,686</b>	<b>117,432,729</b>
<b>LIABILITIES</b>			
Deposits and balances from banks	14	18,486,834	23,938,458
Current accounts and deposits from customers	15	50,593,446	44,301,944
Debt securities issued	16	13,954,861	13,891,769
Current tax liabilities		456,903	-
Deferred tax liability		110,566	155,210
Other liabilities		2,686,455	3,278,905
<b>Total liabilities</b>		<b>86,289,065</b>	<b>85,566,286</b>
<b>EQUITY</b>			
Share capital	17	5,199,503	5,199,503
Retained earnings	17	24,126,118	26,666,940
<b>Total equity</b>		<b>29,325,621</b>	<b>31,866,443</b>
<b>Total liabilities and equity</b>		<b>115,614,686</b>	<b>117,432,729</b>
Book value per share, in KZT	18	723,663	820,015

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

	<b>Unaudited six-month period ended 30 June 2016 KZT’000</b>	<b>Unaudited six-month period ended 30 June 2015 KZT’000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	16,803,945	15,584,888
Interest payments	(3,623,590)	(2,389,316)
Fee and commission receipts	8,272,561	7,962,071
Fee and commission payments	(535,030)	(627,334)
Net payments from financial instruments at fair value through profit or loss	(559,791)	(828,069)
Net receipts/(payments) from foreign exchange transactions	441,444	(82,767)
Other income receipts/(payments), net	201,409	(5,807)
General administrative expenses	(8,586,070)	(6,215,812)
<b>(Increase)/decrease in operating assets</b>		
Loans and advances to banks	176	671
Loans to customers	2,975,283	1,421,979
Other assets	25,513	(65,146)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks	(6,499,031)	7,099,681
Current accounts and deposits from customers	5,872,657	393,484
Other liabilities	5,200	20,644
<b>Net cash flows from operations before income tax paid</b>	<b>14,794,676</b>	<b>22,269,167</b>
Income tax paid	(1,304,486)	(1,493,464)
<b>Cash flows from operating activities</b>	<b>13,490,190</b>	<b>20,775,703</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, equipment and intangible assets	(1,787,439)	(1,174,611)
Proceeds from sale of property and equipment	9,025	1,445
<b>Cash flows used in investing activities</b>	<b>(1,778,414)</b>	<b>(1,173,166)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of subordinated loan	-	(640,000)
Receipts of other borrowed funds	-	7,957,050
Repayment of other borrowed funds	-	(16,675,200)
Dividend payment	(9,000,050)	(2,999,975)
<b>Cash flows used in financing activities</b>	<b>(9,000,050)</b>	<b>(12,358,125)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,711,726</b>	<b>7,244,412</b>
Effect of changes in exchange rates on cash and cash equivalents	(125,568)	55,438
Cash and cash equivalents as at the beginning of the period	13,190,286	3,445,739
<b>Cash and cash equivalents as at the end of the period</b> (Note 11)	<b>15,776,444</b>	<b>10,745,589</b>

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

<b>KZT'000</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
Balance as at 1 January 2015	5,199,503	24,183,279	29,382,782
Profit and total comprehensive income for the six-month period (unaudited)	-	3,459,778	3,459,778
Dividend payments (unaudited)	-	(2,999,975)	(2,999,975)
<b>Balance as at 30 June 2015 (unaudited)</b>	<b>5,199,503</b>	<b>24,643,082</b>	<b>29,842,585</b>
Balance as at 1 January 2016	5,199,503	26,666,940	31,866,443
Profit and total comprehensive income for the six-month period (unaudited)	-	6,459,228	6,459,228
Dividend payments (unaudited)	-	(9,000,050)	(9,000,050)
<b>Balance as at 30 June 2016 (unaudited)</b>	<b>5,199,503</b>	<b>24,126,118</b>	<b>29,325,621</b>

## 1 Background

### (a) Organisation and operations

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

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

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

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

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

### (b) Kazakhstan business environment

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

These 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 full annual financial statements and should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2015, as these interim condensed financial information provides an update of previously reported financial information.

### (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.



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

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

In preparing these 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 2015.

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 25.

## 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 2015.

### (a) Comparative information

#### *Prior period reclassification*

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

In the interim condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2015 part of professional services which comprises commissions paid to the First Credit Bureau and the State Centre of Pension Payments of the Republic of Kazakhstan for services on verification of information on Bank loan applicants in the amount of KZT 237,386 thousand were reclassified from other general administrative expenses to fee and commission expense. Management believes that this presentation is more appropriate presentation in accordance with IFRS. The effect of reclassifications on the corresponding figures can be summarised as follows:

### 3 Significant accounting policies, continued

#### (a) Comparative information, continued

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

KZT'000	As reclassified	Effect of reclassifications	As previously reported
<b>Interim condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2015</b>			
Fee and commission expense	(621,156)	(237,386)	(383,770)
Other general administrative expenses	(7,088,693)	237,386	(7,326,079)
<b>Interim condensed statement of cash flows for the six-month period ended 30 June 2015</b>			
Fee and commission payments	(627,334)	(237,386)	(389,948)
General administrative expenses	(6,215,812)	237,386	(6,453,198)

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

### 4 Net interest income

	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
<b>Interest income</b>		
Loans to customers	16,794,367	15,714,946
Cash and cash equivalents	508,668	3
	<b>17,303,035</b>	<b>15,714,949</b>
<b>Interest expense</b>		
Deposits and balances from banks	2,128,645	513,027
Current accounts and deposits from customers	2,020,573	1,124,498
Debt securities issued	682,096	677,801
Other borrowed funds	-	885,929
Subordinated loan	-	7,680
	<b>4,831,314</b>	<b>3,208,935</b>
	<b>12,471,721</b>	<b>12,506,014</b>

**5 Fee and commission income**

	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
Commission income from insurance	5,317,161	5,656,436
Contractual penalties from customers	1,858,554	1,737,848
Fees from retailers	743,671	460,037
Card operations	61,331	60,642
Transfer operations	12,228	7,712
Cash withdrawal	1,131	1,379
Other	38,237	62,976
	<b>8,032,313</b>	<b>7,987,030</b>

**6 Fee and commission expense**

	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
Commissions paid to partners	278,756	299,446
Commissions paid for verification services	170,588	237,386
Card processing	34,478	25,720
Deposit insurance fund contributions	32,473	15,620
Settlements	16,570	10,805
Other	28,288	32,179
	<b>561,153</b>	<b>621,156</b>

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

For the six-month period ended 30 June 2016 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 498,203 thousand (six-month period ended 30 June 2015: net loss of KZT 828,069 thousand, unaudited), and net loss on short-term swap operations concluded with Home Credit and Finance Bank in the amount of KZT 1,057,994 thousand (six-month period ended 30 June 2015: net gain on currency swap with the National Bank of the Republic of Kazakhstan equalled to KZT 12,979 thousand), unaudited.

**8 Impairment losses**

	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
Loans to customers	1,888,680	6,327,390
Other assets	58,665	3,485
	<b>1,947,345</b>	<b>6,330,875</b>

## 9 General administrative expenses

	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
Employee compensation and payroll related taxes	4,852,953	3,712,037
Depreciation and amortisation	909,529	778,850
Information technology	622,071	357,370
Collectors' services	524,880	347,880
Occupancy	493,322	472,538
Advertising and marketing	478,984	217,056
Professional services	415,557	314,895
Telecommunication and postage	381,095	333,655
Taxes other than income tax	355,528	284,833
Travel expenses	114,097	95,383
Other	233,460	174,196
	<b>9,381,476</b>	<b>7,088,693</b>

## 10 Income tax expense

	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
<b>Current tax expense</b>		
Current tax expense	1,835,350	1,107,794
Current tax expense underprovided in prior periods	-	381,178
	<b>1,835,350</b>	<b>1,488,972</b>
<b>Deferred tax expense</b>		
Deferred taxation movement due to origination and reversal of temporary differences	(44,644)	143,604
<b>Total income tax expense</b>	<b>1,790,706</b>	<b>1,632,576</b>

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

### Reconciliation of effective tax rate:

	Unaudited six-month period ended 30 June 2016 KZT'000	%	Unaudited six-month period ended 30 June 2015 KZT'000	%
<b>Profit before income tax</b>	<b>8,249,934</b>		<b>5,092,354</b>	
Income tax at the applicable tax rate	1,649,987	20.0	1,018,471	20.0
Non-deductible costs	140,719	1.7	232,927	4.6
Underprovided in prior periods	-	-	381,178	7.5
	<b>1,790,706</b>	<b>21.7</b>	<b>1,632,576</b>	<b>32.1</b>

## 11 Cash and cash equivalents

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Cash on hand	3,256,470	2,296,857
Nostro accounts with the NBRK	2,017,805	5,950,930
Placements with NBRK due within one month	9,353,634	-
<b>Nostro accounts with other banks:</b>		
- rated from BBB- to BBB	390,158	4,835,277
- rated from BB- to BB+	38,422	68,379
- rated below B+	39,399	38,843
<b>Placements with banks</b>		
- rated below B+	680,556	-
	<b>15,776,444</b>	<b>13,190,286</b>

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

No cash and cash equivalents were impaired or past due.

As at 30 June 2016 the Bank had exposure towards one banking counterparty (31 December 2015: two banking counterparties) exceeding 10% of the Bank's equity with the gross value of KZT 11,371,439 thousand, unaudited (31 December 2015: KZT 10,683,127 thousand).

## 12 Loans to customers

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
<b>Loans to individuals</b>		
Cash loans	72,290,563	75,329,100
POS loans	25,973,048	31,127,604
Credit cards	2,301,453	1,416,467
<b>Total loans to individuals</b>	<b>100,565,064</b>	<b>107,873,171</b>
Impairment allowance	(8,709,117)	(11,243,335)
<b>Net loans to individuals</b>	<b>91,855,947</b>	<b>96,629,836</b>

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

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

## 12 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the six-month period ended 30 June 2015, unaudited were as follows:

	Cash loans KZT'000	POS loans KZT'000	Credit cards KZT'000	Collateralised loans KZT'000	Total KZT'000
Balance at the beginning of the six-month period	10,477,012	2,087,839	163,126	-	12,727,977
Net charge	4,524,415	1,738,041	70,779	(5,845)	6,327,390
Net write-offs	(5,547,649)	(837,450)	(84,221)	5,845	(6,463,475)
<b>Balance at the end of the six-month period</b>	<b>9,453,778</b>	<b>2,988,430</b>	<b>149,684</b>	<b>-</b>	<b>12,591,892</b>

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

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

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans %
<b>Loans to individuals</b>				
- not overdue	86,086,378	(824,879)	85,261,499	0.96
- overdue less than 90 days	6,288,863	(2,347,004)	3,941,859	37.32
- overdue 90-360 days	8,189,823	(5,537,234)	2,652,589	67.61
<b>Total loans to individuals</b>	<b>100,565,064</b>	<b>(8,709,117)</b>	<b>91,855,947</b>	<b>8.66</b>

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

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

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

Loans overdue for 360 days are written off.

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

The Bank estimates loan impairment for loans to individuals based on its past historical loss experience on each type of loan. Significant assumptions used by management in determining impairment losses for loans to individuals include loss migration rates which are consistent with recent experience and can be estimated based on the historical loss migration pattern for the past twelve months. Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loan impairment allowance on loans to customers as at 30 June 2016 would be KZT 918,559 thousand lower/higher, unaudited (31 December 2015: KZT 966,298 thousand).

## 12 Loans to customers, continued

### (c) Loan collateral

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

### (d) Significant credit exposures

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

## 13 Property, equipment and intangible assets

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Acquisition cost	10,484,263	8,681,263
Accumulated depreciation and amortisation	(3,687,903)	(2,800,847)
<b>Carrying amount</b>	<b>6,796,360</b>	<b>5,880,416</b>

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

## 14 Deposits and balances from banks

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Vostro accounts	12,786	34,975
Term deposits	18,474,048	23,903,483
	<b>18,486,834</b>	<b>23,938,458</b>

As at 30 June 2016 the Bank had two counterparties (31 December 2015: one counterparty) whose balances exceeded 10% of the Bank's equity and amounted to KZT 10,863,663 thousand, unaudited (31 December 2015: KZT 21,836,815 thousand).

## 15 Current accounts and deposits from customers

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Current accounts and demand deposits		
- Retail	6,861,766	8,982,845
- Corporate	1,013,917	3,736,131
Term deposits		
- Retail	17,538,231	9,100,456
- Corporate	25,179,532	22,482,512
	<b>50,593,446</b>	<b>44,301,944</b>

As at 30 June 2016 the Bank had one customer whose balances exceeded 10% of the Bank's equity and amounted to KZT 4,406,787 thousand, unaudited (31 December 2015: one customer whose balances amounted to KZT 3,400,300 thousand).

## 16 Debt securities issued

	<b>Maturity</b>	<b>Coupon rate, %</b>	<b>Unaudited 30 June 2016 KZT'000</b>	<b>31 December 2015 KZT'000</b>
Unsecured KZT denominated bonds of the 1 <sup>st</sup> issue program 1*	November 2016	8.5	7,054,276	7,009,921
Unsecured KZT denominated bonds of the 1 <sup>st</sup> issue program 2*	February 2019	9.5	6,900,585	6,881,848
			<b>13,954,861</b>	<b>13,891,769</b>

\* Quoted on the Kazakhstan Stock Exchange.

## 17 Equity

### (a) Issued capital

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

### (b) Dividends

In accordance with Kazakhstan legislation the distributable dividend amount is limited to the balance of retained earnings including net profit for the year as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Bank's insolvency. Under Kazakhstan legislation, as at the reporting date, reserves available for distribution amounted to KZT 24,126,118 thousand, unaudited (31 December 2015: KZT 26,666,940 thousand).

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

## 18 Book value per share

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

	<b>Unaudited 30 June 2016 KZT'000</b>	<b>31 December 2015 KZT'000</b>
Total assets	115,614,686	117,432,729
Intangible assets	(4,077,028)	(3,256,120)
Total liabilities	(86,289,065)	(85,566,286)
<b>Net assets</b>	<b>25,248,593</b>	<b>28,610,323</b>

The following table shows the book value per share calculations:

	<b>Unaudited 30 June 2016</b>	<b>31 December 2015</b>
Net assets, KZT'000	25,248,593	28,610,323
Outstanding number of ordinary shares at the end of the period	34,890	34,890
<b>Book value per share, KZT</b>	<b>723,663</b>	<b>820,015</b>



## 19 Earnings per share

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

	Unaudited six-month period ended 30 June 2016	Unaudited six-month period ended 30 June 2015
Net profit attributable to ordinary shareholders, KZT'000	6,459,228	3,459,778
Weighted average number of ordinary shares	34,890	34,890
<b>Earnings per share, KZT</b>	<b>185,131</b>	<b>99,162</b>

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

## 20 Risk management

Risk management is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk. The following tables show undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their remaining contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flows on the financial liability or commitment.

As at 30 June 2016 KZT'000 (unaudited)	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
<b>Liabilities</b>							
Deposits and balances from banks	2,262,442	521,561	8,709,542	2,591,104	7,066,889	21,151,538	18,486,834
Current accounts and deposits from customers	11,213,115	4,666,317	6,532,149	16,220,666	16,960,543	55,592,790	50,593,446
Debt securities issued	-	323,290	7,265,833	328,648	7,956,188	15,873,959	13,954,861
Other financial liabilities	481,722	557,794	-	-	-	1,039,516	1,039,516
<b>Total liabilities</b>	<b>13,957,279</b>	<b>6,068,962</b>	<b>22,507,524</b>	<b>19,140,418</b>	<b>31,983,620</b>	<b>93,657,802</b>	<b>84,642,126</b>
Credit related commitments	2,159,923	-	-	-	-	2,159,923	2,159,923
<b>As at 31 December 2015 KZT'000</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>More than 1 year</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>Liabilities</b>							
Deposits and balances from banks	16,104,134	1,062,671	-	8,695,541	-	25,862,346	23,938,458
Current accounts and deposits from customers	13,565,417	6,691,385	5,508,514	14,668,544	5,397,429	45,831,289	44,301,944
Debt securities issued	-	323,289	299,153	7,548,206	8,266,101	16,436,749	13,891,769
Other financial liabilities	823,107	959,034	-	-	-	1,782,141	1,782,141
<b>Total liabilities</b>	<b>30,492,658</b>	<b>9,036,379</b>	<b>5,807,667</b>	<b>30,912,291</b>	<b>13,663,530</b>	<b>89,912,525</b>	<b>83,914,312</b>
Credit related commitments	1,802,165	-	-	-	-	1,802,165	1,802,165

## 20 Risk management, continued

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

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
Less than 1 month	2,879,300	845,253
From 1 to 3 months	3,789,424	6,623,943
From 3 to 6 months	5,320,937	5,355,318
From 6 to 12 months	14,488,941	13,815,189
More than 1 year	16,239,161	4,943,265
	<b>42,717,763</b>	<b>31,582,968</b>

## 21 Capital management

The NBRK sets and monitors capital requirements for the Bank.

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

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

	Unaudited 30 June 2016 KZT'000	31 December 2015 KZT'000
<b>Tier 1 capital</b>		
Share capital	5,199,503	5,199,503
Retained earnings of prior years	17,666,890	18,180,798
Profit for the period	6,459,228	8,486,142
Intangible assets	(4,077,028)	(3,256,120)
<b>Total tier 1 capital</b>	<b>25,248,593</b>	<b>28,610,323</b>
<b>Total tier 2 capital</b>	<b>-</b>	<b>-</b>
<b>Total capital</b>	<b>25,248,593</b>	<b>28,610,323</b>
<b>Total credit risk-weighted assets</b>	<b>102,919,126</b>	<b>100,907,801</b>
<b>Total credit risk-weighted assets and liabilities, including market and operational risk</b>	<b>132,627,310</b>	<b>132,060,724</b>
<b>Total capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)</b>	<b>0.190</b>	<b>0.217</b>
<b>Total tier 1 capital expressed as a percentage of credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital ratio)</b>	<b>0.190</b>	<b>0.217</b>

## 22 Commitments

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

	<b>Unaudited 30 June 2016 KZT'000</b>	<b>31 December 2015 KZT'000</b>
<b>Contracted amount</b>		
Loan and credit line commitments	2,159,923	1,802,165
	<b>2,159,923</b>	<b>1,802,165</b>

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

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

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

As the Bank acts as an intermediary for the payment of this compensation, potential obligations relating to this compensation estimated at KZT 638,230 thousand at the reporting date were not recognised in the interim condensed statement of financial position as at 30 June 2016 (unaudited).

## 23 Operating leases

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

During the six-month period ended 30 June 2016 KZT 447,376 thousand was recognized as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases (six-month period ended 30 June 2015: KZT 426,440 thousand).

As at 30 June 2016 the Bank reported KZT 1,389 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 2015: KZT 1,243 thousand).

## 24 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.

## 24 Related party transactions, continued

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

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

	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
Members of the Board of Directors	128,822	51,102
Members of the Management Board	288,466	127,649
	<b>417,288</b>	<b>178,751</b>

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

Unaudited 30 June 2016 KZT'000	Average interest rate, %	31 December 2015 KZT'000	Average interest rate, %
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#### Statement of financial position

##### LIABILITIES

Current accounts and deposits from customers	58,505	-	27,164	0.01
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Total amounts included in profit or loss in relation to transactions with members of the Board of Directors and the Management Board for the six-month periods ended 30 June 2016 and 2015 were as follows:

	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
<b>Interim condensed statement of profit or loss and other comprehensive income</b>		
Interest expense	-	102
	-	<b>102</b>

### (c) Transactions with the parent

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

Statement of financial position	Unaudited 30 June 2016 KZT'000	Average interest rate, %	31 December 2015 KZT'000	Average interest rate, %
<b>ASSETS</b>				
Cash and cash equivalents				
-In USD	122	-	122	-
-In EUR	120	-	118	-
-In RUB	49	-	37	-
<b>LIABILITIES</b>				
Deposits and balances from banks				
-In KZT	7,363,882	31.50	21,836,815	19.70
-In USD	339	-	-	-

## 24 Related party transactions, continued

### (c) Transactions with the parent, continued

Interim condensed statement of profit or loss and other comprehensive income	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
<b>Interest expense</b>		
Deposits and balances from banks		
- In KZT	1,818,467	-
	<b>1,818,467</b>	<b>-</b>
Other borrowed funds		
- In USD	-	239,295
	<b>-</b>	<b>239,295</b>
<b>Fee and commission expense</b>		
Other fee and commission expense		
-In KZT	-	18,445
	<b>-</b>	<b>18,445</b>

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

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

Statement of financial position	Unaudited 30 June 2016 KZT'000	Average interest rate, %	31 December 2015 KZT'000	Average interest rate, %
<b>ASSETS</b>				
Property, equipment and intangible assets*				
-In KZT	3,001,562	-	2,465,725	-
<b>LIABILITIES</b>				
Deposits and balances from banks				
-In KZT	564,642	17.11	520,845	14.93
Current accounts and deposits from customers				
-In KZT	658,372	-	652,479	8.00
Other financial liabilities				
-In EUR	9,758	-	301,888	-

\*These represent accumulated amounts of capitalised IT development expenses, which are provided by a related party. During the six-month period ended 30 June 2016, the Bank capitalised additional IT development expenses provided by the related party of KZT 867,796 thousand (six-month period ended 30 June 2015: KZT 558,876 thousand) to the costs of intangible assets, unaudited.

## 24 Related party transactions, continued

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

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

	Unaudited six-month period ended 30 June 2016 KZT'000	Unaudited six-month period ended 30 June 2015 KZT'000
<b>Interim condensed statement of profit or loss and other comprehensive income</b>		
<b>Interest income</b>		
Cash and cash equivalents		
-In USD	48,575	-
	<b>48,575</b>	<b>-</b>
<b>Interest expense</b>		
Deposits and balances from banks		
-In KZT	44,615	166,520
-In USD	-	2,346
Current accounts and deposits from customers		
-In KZT	8,948	24,619
Subordinated loan		
-In KZT	-	7,680
Other borrowed funds		
-In KZT	-	367,531
-In USD	-	279,104
	<b>53,563</b>	<b>847,800</b>
<b>Fee and commission expenses</b>		
Other fee and commission expenses		
-In KZT	-	8
<b>General administrative expenses</b>		
General administrative expenses	1,166,521	774,665

## 25 Financial assets and liabilities: fair values and accounting classifications

### (a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2016, unaudited:

<b>KZT'000</b>	<b>Loans and receivables</b>	<b>Other amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
Cash equivalents	12,519,974	-	12,519,974	12,519,974
Loans and advances to banks	1,783	-	1,783	1,783
Loans to customers	91,855,947	-	91,855,947	91,855,947
Other financial assets	686,560	-	686,560	686,560
	<b>105,064,264</b>	<b>-</b>	<b>105,064,264</b>	<b>105,064,264</b>
Deposits and balances from banks	-	18,486,834	18,486,834	19,527,261
Current accounts and deposits from customers	-	50,593,446	50,593,446	51,928,246
Debt securities issued	-	13,954,861	13,954,861	13,579,469
Other financial liabilities	-	1,039,516	1,039,516	1,039,516
	<b>-</b>	<b>84,074,657</b>	<b>84,074,657</b>	<b>86,074,492</b>

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2015:

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

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

## **25 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.



## **25 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.