Home Credit and Finance Bank

Condensed Consolidated Interim Financial Statements
for the nine month period ended 30 September 2016

(unaudited)

Contents

(Unaudited) **MRUB**	**Note**	**9 month period ended 30 September 2016**	**9 month period ended 30 September 2015**	**3 month period ended 30 September 2016**	**3 month period ended 30 September 2015**
Interest income	4	34,597	47,256	11,454	14,846
Interest expense	4	(14,022)	(23,875)	(4,560)	(7,290)
Net interest income		**20,575**	**23,381**	**6,894**	**7,556**
Fee and commission income	5	10,634	11,453	3,746	4,043
Fee and commission expense	6	(1,724)	(1,961)	(620)	(511)
Net fee and commission income		**8,910**	**9,492**	**3,126**	**3,532**
Other operating (expense)/income, net	7	(539)	1,389	68	387
Operating income		**28,946**	**34,262**	**10,088**	**11,475**
Impairment losses on loans to customers	8	(9,661)	(29,658)	(1,956)	(7,411)
Impairment (losses)/recovery on property, equipment and intangible assets	8	-	(140)	-	100
Impairment (losses)/recovery on other assets	8	(29)	4	(17)	4
General administrative expenses	9	(13,493)	(15,643)	(4,578)	(4,519)
Operating expenses		**(23,183)**	**(45,437)**	**(6,551)**	**(11,826)**
Profit/(loss) before tax		**5,763**	**(11,175)**	**3,537**	**(351)**
Income tax (expense)/benefit	10	(1,190)	1,901	(709)	(84)
Profit/(loss) for the period		**4,573**	**(9,274)**	**2,828**	**(435)**

The condensed consolidated interim financial statements as set out on pages 3 to 39 were approved by the Board of Management on 28 November 2016.

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

The condensed consolidated interim statement of profit or loss is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements.

(Unaudited) **MRUB**	**9 month period ended 30 September**		**3 month period ended 30 September**	
	2016	**2015**	**2016**	**2015**
Profit/(loss) for the period, recognised in condensed consolidated interim statement of profit or loss	**4,573**	**(9,274)**	**2,828**	**(435)**
Other comprehensive loss that is or may be reclassified subsequently to profit or loss				
Revaluation reserve for financial assets available for sale:				
- net change in fair value of financial assets available for sale, net of tax	(244)	(36)	(136)	(46)
- net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	381	168	130	2
Cash flow hedge reserve:				
- effective portion of changes in fair value, net of tax	200	508	-	1,781
- net amount transferred to profit or loss, net of tax	(237)	(1,055)	-	(1,918)
Effect of foreign currency translation	(857)	(1,891)	(41)	(1,585)
Other comprehensive loss for the period, net of tax	**(757)**	**(2,306)**	**(47)**	**(1,766)**
Total comprehensive income/(loss) for the period	**3,816**	**(11,580)**	**2,781**	**(2,201)**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements.

MRUB		30 September 2016	31 December 2015
ASSETS	**Note**	**(Unaudited)**	
Cash and cash equivalents	11	17,503	33,500
Placements with banks and other financial institutions	12	14,277	9,068
Loans to customers	13	164,336	178,418
Positive fair value of derivative instruments	14	41	8,217
Financial assets available for sale	15	24,403	22,240
Financial assets held to maturity		2,486	-
Property, equipment and intangible assets	16	8,023	8,835
Assets classified as held for sale		160	163
Investment in associate		98	121
Current income tax receivable		25	312
Deferred tax asset		5,016	5,603
Other assets	17	1,427	1,446
Total assets		**237,795**	**267,923**
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	18	7,642	10,996
Subordinated debt	19	25,887	31,741
Due to banks and other financial institutions	20	6,617	3,390
Current accounts and deposits from customers	21	150,805	178,157
Negative fair value of derivative instruments	22	176	244
Current income tax liabilities		220	-
Deferred tax liability		1	33
Other liabilities	23	4,754	3,708
Total liabilities		**196,102**	**228,269**
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for financial assets available for sale		51	(86)
Cash flow hedge reserve		-	37
Translation reserve		(682)	175
Retained earnings		27,287	24,491
Total equity		**41,693**	**39,654**
Total liabilities and equity		**237,795**	**267,923**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

ООО "ХКФ Банк" HCF Bank Москва

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

	Attributable to equity holders of the Group						
MRUB	**Charter capital**	**Other capital contributions**	**Revaluation reserve for financial assets available for sale**	**Cash flow hedge reserve**	**Translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2015	**4,406**	**10,631**	**(113)**	**666**	**2,915**	**34,143**	**52,648**
Loss for the period	-	-	-	-	-	(9,274)	(9,274)
Revaluation reserve for financial assets available for sale:							
- net change in fair value, net of tax	-	-	(36)	-	-	-	(36)
- net change in fair value transferred to profit or loss, net of tax	-	-	168	-	-	-	168
Cash flow hedge reserve:							
- effective portion of changes in fair value, net of tax	-	-	-	508	-	-	508
- net amount transferred to profit or loss, net of tax	-	-	-	(1,055)	-	-	(1,055)
Effect of foreign currency translation	-	-	-	-	(1,891)	-	(1,891)
Total comprehensive loss for the period	-	-	132	(547)	(1,891)	(9,274)	(11,580)
Dividends paid	-	-	-	-	-	(838)	(838)
Balance at 30 September 2015 (unaudited)	**4,406**	**10,631**	**19**	**119**	**1,024**	**24,031**	**40,230**
Balance at 1 January 2016	**4,406**	**10,631**	**(86)**	**37**	**175**	**24,491**	**39,654**
Profit for the period	-	-	-	-	-	4,573	4,573
Revaluation reserve for financial assets available for sale:							
- net change in fair value, net of tax	-	-	(244)	-	-	-	(244)
- net change in fair value transferred to profit or loss, net of tax	-	-	381	-	-	-	381
Cash flow hedge reserve:							
- effective portion of changes in fair value, net of tax	-	-	-	200	-	-	200
- net amount transferred to profit or loss, net of tax	-	-	-	(237)	-	-	(237)
Effect of foreign currency translation	-	-	-	-	(857)	-	(857)
Total comprehensive income for the period	-	-	137	(37)	(857)	4,573	3,816
Dividends paid	-	-	-	-	-	(1,777)	(1,777)
Balance at 30 September 2016 (unaudited)	**4,406**	**10,631**	**51**	**-**	**(682)**	**27,287**	**41,693**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

ООО "ХКФ Банк" HCF Bank Home Credit & Finance Bank limited liability company МОСКВА

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

(Unaudited) MRUB	Note	9 month period ended 30 September 2016	2015
Cash flow from operating activities			
Interest received		36,491	47,453
Interest paid		(13,266)	(22,269)
Fees and commissions received		10,541	11,731
Fees and commissions paid		(1,712)	(1,943)
Net receipts from foreign exchange transactions		6,423	910
Other operating income received		191	374
Administrative and other operating expenses paid		(10,758)	(12,349)
Income tax paid		(155)	(306)
Cash flows from operating activities before changes in operating assets and liabilities		**27,755**	**23,601**
Changes in operating assets and liabilities			
Net (increase)/decrease in placements with banks and other financial institutions		(7,163)	6,276
Net increase in financial assets available for sale		(3,384)	(7,041)
Net (increase)/decrease in loans to customers		(1,262)	20,918
Net decrease in other assets		56	11
Net decrease in current accounts and deposits from customers		(25,049)	(291)
Net increase/(decrease) in due to banks and other financial institutions		3,801	(26,632)
Net increase in other liabilities		242	33
Net cash (used in)/from operating activities		**(5,004)**	**16,875**
Cash flows used in investing activities			
Dividends from associate		123	165
Proceeds from sale of property and equipment		7	84
Acquisition of property, equipment and intangible assets		(926)	(1,134)
Purchase of financial assets held to maturity		(2,486)	-
Net cash used in investing activities		**(3,282)**	**(885)**
Cash flows used in financing activities			
Proceeds from the issue of debt securities		-	190
Repayments of debt securities issued		(3,000)	(5,181)
Repayments of subordinated debt		(2,041)	(10,861)
Dividends paid		(1,777)	(838)
Net cash used in financing activities		**(6,818)**	**(16,690)**
Net decrease in cash and cash equivalents		(15,104)	(700)
Effect of exchange rate changes on cash and cash equivalents		(893)	1,503
Cash and cash equivalents at 1 January	11	33,500	33,862
Cash and cash equivalents at 30 September	11	**17,503**	**34,665**

Chairman of the Board of Management
Y. Andresov

Chief Financial Officer
I. Kolikova

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

1. Description of the Group

OOO "Home Credit and Finance Bank" (the "Bank") was established in the Russian Federation as a Limited Liability Company and was granted its banking licence in 1990. In 2002 the Bank was acquired by Home Credit Group. On 13 October 2011 the Bank received General Banking Licence #316 from the Central Bank of Russia (the "CBR"). The Bank together with its subsidiaries is further referred to as the Group.

Registered office

8/1 Pravda st
Moscow 125040
Russian Federation

Participants	**Country of incorporation**	**Ownership interest (%)**	
		30 Sep 2016	**31 Dec 2015**
Home Credit B.V.	The Netherlands	99.99	99.99
Home Credit International a.s.	Czech Republic	0.01	0.01

The ultimate controlling owner is Petr Kellner, who exercises control over the Group through PPF Group N.V. registered in the Netherlands.

Consolidated subsidiaries	**Country of incorporation**	**Ownership interest (%)**	
		30 Sep 2016	**31 Dec 2015**
Financial Innovations (LLC)	Russian Federation	100.00	100.00
Bonus Center Operations (LLC)*	Russian Federation	100.00	100.00
Bank Home Credit (SB JSC)	Kazakhstan	100.00	100.00
Eurasia Capital S.A.	Luxemburg	see below	see below
HC Finance (LLC)	Russian Federation	see below	see below
Eurasia Structured Finance No.3 B.V.	The Netherlands	see below	see below
HC Finance No.2 (LLC)	Russian Federation	see below	see below
Eurasia Structured Finance No.4 B.V.	The Netherlands	see below	see below

Eurasia Capital S.A., HC Finance (LLC), Eurasia Structured Finance No.3 B.V., HC Finance No.2 (LLC) and Eurasia Structured Finance No.4 B.V. are special purpose entities established to facilitate the Group’s issues of debt securities and subordinated debt.

** As at 30 September 2016 Bonus Center Operations (LLC) was in the process of liquidation.*

Associate	**Country of incorporation**	**Ownership interest (%)**	
		30 Sep 2016	**31 Dec 2015**
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00

Council		**Board of Management**	
Jiri Smejc	Chairman	Yuriy Andresov	Chairman
Irina Kolikova	Deputy Chairman	Dmitriy Mosolov	First Deputy Chairman
Galina Vaisband	Member	Artem Aleshkin	Deputy Chairman
Yuly Tai	Member	Aleksandr Antonenko	Deputy Chairman
		Martin Schaffer	Deputy Chairman
		Olga Egorova	Member

1. Description of the Group (continued)

Principal activities

The activities of the Group are regulated by the CBR and the activities of the Subsidiary Bank Joint-Stock Company “Home Credit and Finance Bank” (Bank Home Credit (SB JSC)) are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK"). The principal activity of the Group is the provision of the full range of banking products and services to individual customers across the Russian Federation and the Republic of Kazakhstan such as lending, deposit taking, saving and current accounts service and maintenance, payments, debit cards issuance and maintenance, Internet-banking, payroll and other banking services.

The loans are offered to existing and new customers across the Russian Federation and the Republic of Kazakhstan via a national wide distribution network comprising variable channels: own banking offices, points of sale at retailers, Russian Post branches, Kazakh Post branches and other third parties.

As at 30 September 2016 the Bank's distribution network comprised the head office in Moscow and 7 branches in Ufa, Rostov-on-Don, Saint-Petersburg, Yekaterinburg, Novosibirsk, Khabarovsk, Nizhniy Novgorod, 284 standard banking offices, 3,452 loan offices, 75 regional centres, 2 representative offices and over 88 thousand points of sale in the Russian Federation and several Russian post offices. As at 30 September 2016 the ATM network comprised 773 ATMs and payment terminals across the Russian Federation.

As at 30 September 2016 the distribution network in Kazakhstan comprised 41 standard banking offices, 7,175 loan offices and points of sale, 212 Kazakhstan post offices and 398 ATMs and payment terminals across the country.

2. Basis of preparation

The condensed consolidated interim financial statements follow, in the context of measurement, all requirements of International Financial Reporting Standards (IFRS). The disclosures in these condensed consolidated interim financial statements have been presented in accordance with IAS 34 Interim Financial Reporting, and therefore should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2015, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

(a) Basis of measurement

The condensed consolidated interim financial statements are prepared on the historical cost or amortised historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value. Other financial assets and liabilities are stated at amortised cost. Non-financial assets and liabilities are stated at historical cost, restated for the effects of inflation as described in Note 3(b) of the Group's annual consolidated financial statements for the year ended 31 December 2015.

(b) Presentation and functional currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"). Management determined functional currency of the Bank and all of its subsidiaries, except Bank Home Credit (SB JSC), to be the RUB as it reflects the economic substance of the majority of underlying events and circumstances of the Group. The functional currency of Bank Home Credit (SB JSC) is Kazakhstan Tenge ("KZT"). The RUB is the Group’s presentation currency for the purposes of these condensed consolidated financial statements. Financial information presented in RUB is rounded to the nearest million unless otherwise stated.

(c) Business environment

The Group’s operations are primarily located in the Russian Federation and the Republic of Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation and the Republic of Kazakhstan, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, 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 the Russian Federation and the Republic of Kazakhstan.

2. Basis of preparation (continued)

The current economic and geopolitical environment has impacted the Russian economy in a number of ways, including lower growth, a volatile currency, liquidity strains and financial stress on consumers. These and other factors create risks for the Group's local business activities. The Group's management takes all the necessary steps to support the economic stability of the Group and its operations in the current circumstances.

The condensed consolidated interim financial statements reflect management's assessment of the impact of the business environment of the Russian Federation and the Republic of Kazakhstan on the operations and financial position of the Group. The future business environment may differ from management's assessment.

3. Significant accounting policies

The significant accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

a) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations were not yet effective as at 30 September 2016, and were not applied in preparing these condensed consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective.

IFRS 9 *Financial Instruments*, published in July 2014, is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The Group recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the condensed consolidated interim financial statements. The Group has not analysed the impact of these changes yet. The Group does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.

IFRS 15 *Revenue from Contracts with Customers* supersedes IAS 11 *Construction Contracts;* IAS 18 *Revenue;* IFRIC 13 *Customer Loyalty Programmes;* IFRIC 15 *Agreements for the Construction of Real Estate;* IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The standard will be effective for annual periods beginning on or after 1 January 2018. Early application is permitted. The Group has not yet analysed the likely impact of the standard on its financial position or performance. The Group does not intend to adopt this standard early.

IFRS 16 *Leases* replaces existing guidance in respect of lease accounting, including IFRS (IAS) *17 Leases,* IFRIC 4 *Determining whether the agreement signs a lease,* SIC-15 *Operating leases* – incentives and SIC-15 *Analysis of the nature of transactions with legal form of lease*. It cancels the dual accounting model, currently used in the account of the tenant, which makes a distinction between finance lease reflected on the balance sheet and operating leases accounted for off-balance sheet. Instead, it introduces a single accounting model involving the reflection of rent on the balance similar to currently applicable accounting regulations of the financial lease. Accounting rules that are currently in force for lessor are in general persist – landlords will continue to classify the lease as finance or operating leases. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted, provided that IFRS 15 Revenue from contracts with customers will also be applied. The Group has not analysed the impact of these changes yet. The Group does not intend to adopt this standard early.

Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

3. Significant accounting policies (continued)

b) Comparative numbers

Result on hedging derivative instruments for the nine month period ended 30 September 2015 was reclassified from interest expense in the amount of MRUB 432 to other operating income in order to conform the presentation in 2016. The reclassification had no impact on the Group's result or equity.

4. Interest income and interest expense

	9 month period ended 30 September		3 month period ended 30 September	
(Unaudited)	**2016**	**2015**	**2016**	**2015**
	MRUB	**MRUB**	**MRUB**	**MRUB**
Interest income				
Loans to individuals	31,749	43,449	10,374	13,521
Financial assets available for sale	1,377	1,567	493	769
Placements with banks and other financial institutions	1,002	1,136	339	219
Loans to corporations	308	109	123	66
Amounts receivable under reverse repurchase agreements	161	995	125	271
	34,597	**47,256**	**11,454**	**14,846**
Interest expense				
Current accounts and deposits from customers	10,737	18,878	3,535	5,961
Subordinated debt	2,070	2,371	640	700
Due to banks and other financial institutions	589	1,479	207	341
Debt securities issued	582	996	177	276
Amounts payable under repurchase agreements	44	151	1	12
	14,022	**23,875**	**4,560**	**7,290**

5. Fee and commission income

	9 month period ended 30 September		3 month period ended 30 September	
	2016	**2015**	**2016**	**2015**
(Unaudited)	**MRUB**	**MRUB**	**MRUB**	**MRUB**
Insurance agent commissions	6,364	7,327	2,335	2,472
Fees from retailers	1,122	895	509	426
Contractual penalties from customers	1,117	1,423	263	502
Customer payments processing and account maintenance	927	684	326	228
Cash operations	758	950	240	299
Pension agent commissions	268	92	65	92
Other	78	82	8	24
	10,634	**11,453**	**3,746**	**4,043**

6. Fee and commission expense

	9 month period ended 30 September		3 month period ended 30 September	
	2016	**2015**	**2016**	**2015**
(Unaudited)	**MRUB**	**MRUB**	**MRUB**	**MRUB**
Payments to the Deposit Insurance Agency	464	550	173	171
Payments processing and account maintenance	444	345	178	112
Cash transactions	421	566	128	164
Customer verification fees	294	147	146	16
State duties	72	262	26	25
Other	29	91	4	23
	1,724	**1,961**	**655**	**511**

7. Other operating (expense)/income, net

		9 month period ended 30 September		3 month period ended 30 September	
		2016	**2015**	**2016**	**2015**
(Unaudited)	**Note**	**MRUB**	**MRUB**	**MRUB**	**MRUB**
Gain/(loss) from foreign exchange revaluation of financial assets and liabilities		1,217	(758)	28	(1,273)
Net gain on early redemption of subordinated debt		207	559	-	1
Share of the profit of associate		99	96	33	33
Net realised gain on disposal of financial assets available for sale		59	93	40	36
Net gain/(loss) on interest rate derivatives		10	(110)	1	24
Net (loss)/gain on spot transactions and currency derivatives		(2,154)	1,739	(66)	1,651
Hedging derivatives instruments		(78)	(432)	-	(144)
Gain from sale of loans	13	-	281	-	86
Net gain on early redemption of debt securities issued		-	18	-	-
Other		101	(97)	32	(27)
		(539)	**1,389**	**68**	**387**

8. Charge/(recovery) of impairment losses

	9 month period ended 30 September		3 month period ended 30 September	
	2016	**2015**	**2016**	**2015**
(Unaudited)	**MRUB**	**MRUB**	**MRUB**	**MRUB**
Cash loans	4,151	17,793	770	4,226
Credit card loans	2,579	7,709	442	1,985
POS loans	2,565	3,921	562	1,086
Mortgage loans	246	235	60	114
Loans to corporations	124	-	124	-
Car loans	(4)	-	(2)	-
Property, equipment and intangible assets	-	140	-	(100)
Other assets	29	(4)	17	(4)
	9,690	**29,794**	**1,973**	**7,307**

9. General administrative expenses

		9 month period ended 30 September		3 month period ended 30 September	
		2016	**2015**	**2016**	**2015**
(Unaudited)	**Note**	**MRUB**	**MRUB**	**MRUB**	**MRUB**
Personnel related expenses		7,090	6,827	2,491	2,173
Depreciation and amortisation		1,507	2,012	469	622
Payroll related taxes		1,378	1,431	420	359
Occupancy	26	815	1,273	275	303
Information technology		616	414	233	136
Telecommunication and postage		563	713	195	206
Repairs and maintenance		474	459	167	124
Professional services		410	1,259	148	361
Taxes other than income tax		158	220	46	71
Advertising and marketing		139	83	29	27
Travel expenses		115	159	42	43
Other		228	793	63	94
		13,493	**15,643**	**4,578**	**4,519**

Business optimisation programme

As at 30 September 2016 the Group didn't create a provision for restructuring under the business optimisation programme.

During the nine month period ended 30 September 2015 the Group performed its business optimisation programme in the Russian Federation to increase effectiveness of business and optimise costs, including staff cost optimisation and closure of less effective offices. As at 30 September 2015 the Group created a provision for restructuring under the business optimisation programme mentioned above of MRUB 34 (Note 23). During the nine month period ended 30 September 2015 as a result of closure of offices the Group recognised general administrative expenses of MRUB 748.

10. Income tax (expense)/benefit

	9 month period ended 30 September		3 month period ended 30 September	
	2016	**2015**	**2016**	**2015**
(Unaudited)	**MRUB**	**MRUB**	**MRUB**	**MRUB**
Current tax expense	(658)	(695)	(270)	(231)
Deferred tax (expense)/benefit	(532)	2,713	(439)	144
Current tax underprovided in previous periods	-	(117)	-	3
	(1,190)	**1,901**	**(709)**	**(84)**

Reconciliation of effective tax rate

	9 month period ended 30 September		3 month period ended 30 September	
	2016	**2015**	**2016**	**2015**
(Unaudited)	**MRUB**	**MRUB**	**MRUB**	**MRUB**
Profit/(loss) before tax	**5,763**	**(11,175)**	**3,537**	**(351)**
Income tax using the applicable tax rate (20%)	(1,152)	2,235	(707)	70
Dividends from Bank Home Credit (SB JSC)	-	(186)	-	(92)
Net non-deductible costs	(47)	(43)	(2)	(65)
Income taxed at lower tax rates	9	12	-	-
Current tax underprovided in previous periods	-	(117)	-	3
	(1,190)	**1,901**	**(709)**	**(84)**

10. Income tax (expense)/benefit (continued)

The tax effects relating to components of other comprehensive income comprise:

(Unaudited) MRUB	9 month period ended 30 September 2016			9 month period ended 30 September 2015			3 month period ended 30 September 2016			3 month period ended 30 September 2015		
	Amount before tax	**Tax (expense) / benefit**	**Amount net of tax**	**Amount before tax**	**Tax (expense)/ benefit**	**Amount net of tax**	**Amount before tax**	**Tax benefit**	**Amount net of tax**	**Amount before tax**	**Tax benefit**	**Amount net of tax**
Net change in fair value of financial assets available for sale	171	(34)	137	165	(33)	132	(8)	2	(6)	(55)	11	(44)
Cash flow hedge reserve	(46)	9	(37)	(684)	137	(547)	-	-	-	(171)	34	(137)
	125	**(25)**	**100**	**(519)**	**104**	**(415)**	**(8)**	**2**	**(6)**	**(226)**	**45**	**(181)**

11. Cash and cash equivalents

	30 Sep 2016 MRUB (Unaudited)	**31 Dec 2015 MRUB**
Nostro accounts with the CBR	6,322	8,603
Placements with banks and other financial institutions due within one month	5,395	5,173
Amounts receivable under reverse repurchase agreements	3,154	6,539
Cash	2,632	9,207
Nostro accounts with the NBRK	-	978
Placements with the CBR	-	3,000
	17,503	**33,500**

Placements with banks and other financial institutions shown above comprise nostro accounts and loans and deposits.

None of the items described above is impaired or past due.

12. Placements with banks and other financial institutions

	30 Sep 2016 MRUB (Unaudited)	**31 Dec 2015 MRUB**
Term deposits with banks and other financial institutions due after one month	11,288	5,887
Placements with MasterCard and VISA	1,689	1,702
Minimum reserve deposit with the CBR	1,140	1,176
Minimum reserve deposit with the NBRK	160	303
	14,277	**9,068**

The minimum reserve deposit with the CBR is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the CBR whose withdrawability is restricted.

The minimum reserve deposit with the NBRK is mandatory non-interest bearing placement with the NBRK and (or) cash in KZT calculated in accordance with regulations issued by the NBRK whose withdrawability is restricted.

Placements with MasterCard and VISA are security deposits whose withdrawability is restricted.

None of the items described above are impaired or past due.

13. Loans to customers

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Cash loans	99,659	114,623
POS loans	53,490	54,949
Credit card loans	21,363	30,513
Loans to corporations	4,540	3,635
Mortgage loans	2,960	4,235
Car loans	7	18
Impairment allowance	(17,683)	(29,555)
	164,336	**178,418**

The Group provides point-of-sale loans ("POS loans") for any purpose including household goods, services and other purposes. Credit cards are generally issued for 3 years and have an average credit limit of TRUB 65 and require a minimum monthly payment of 5% of the outstanding principal balance on the respective credit card plus other charges (31 December 2015: 3 years and TRUB 71 respectively and a minimum monthly payment of 5% of the outstanding principal balance on the respective credit card plus other charges). As at 30 September 2016 the average loan-to-value ratio for mortgage loans was 56% (31 December 2015: 58%).

The following table provides the average size of loans granted and the average contractual term by type of loans:

	30 Sep 2016 (Unaudited)		31 Dec 2015	
	Size TRUB	Term Months	Size TRUB	Term Months
Cash loans	180.3	47	181.3	44
POS loans	37.1	18	35.0	19

Total allowances for impairment by product classes to non-performing loans ("NPLs") by product classes:

	30 Sep 2016 (Unaudited)		31 Dec 2015	
	NPLs MRUB	Provision coverage %	NPLs MRUB	Provision coverage %
Cash loans	7,243	136	15,271	115
Credit card loans	3,085	113	6,747	101
POS loans	2,914	128	4,234	109
Mortgage loans	739	72	687	73
Car loans	4	78	7	86
Total	**13,985**	**126**	**26,946**	**110**

Non-performing loans are defined by the Group as loans and receivables overdue for more than 90 days. Loans and receivables, except for mortgage and car loans, overdue for more than 360 days are written off. Mortgage and car loans and receivables overdue over 720 days are written off. Some of the loans written off can be subsequently sold. During the nine month period ended 30 September 2016 the Group did not sell non-performing loans (nine month period ended 30 September 2015: gross value including penalties of MRUB 16,553 for MRUB 182).

13. Loans to customers (continued)

The Group estimated the impairment on loans to customers in accordance with the accounting policy as described in Note 3(j) of the Group's annual consolidated financial statements for the year ended 31 December 2015.

At the end of 2014 the Group launched loan restructuring aimed at managing customer relationships and maximising collection opportunities. For impairment assessment purposes, such renegotiated loans are kept in the same category of assets as at the date of restructuring unless within a defined period of time borrowers fail to comply with the renegotiated terms or instead prove their performance under new conditions in which case they are treated as non-delinquent. As at 30 September 2016 renegotiated gross loans to retail customers amounted to MRUB 5,770 (31 December 2015: MRUB 5,795).

Changes in collection estimates could affect the impairment losses recognised. For example, to the extent that estimated future cash flows of loans differ by plus/minus one percent, the loan impairment allowance as at 30 September 2016 would be MRUB 1,643 lower/higher (31 December 2015: MRUB 1,784).

As at 30 September 2016 cash loans receivables with the total carrying amount of MRUB 6,280 (31 December 2015: MRUB 6,286) were sold to Eurasia Structured Finance No.3 B.V. and served as collateral in relation to the notes issued by HC Finance (LLC) as a part of cash loan securitisation transaction (refer to Note 18). Eurasia Structured Finance No.3 B.V. can not sell or repledge these cash loan receivables (unless the enforcement event contemplated by the relevant cash loan document occurs) to other parties save for the obligation of the Bank to repurchase ineligible receivables.

Analysis of movements in impairment allowance

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

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Loans to corporations	Total
Balance at 1 January	**17,604**	**4,606**	**6,839**	**500**	**6**	**-**	**29,555**
Net charge	4,148	2,565	2,579	246	(4)	124	9,658
Loans recovered and sold which previously were written off	2,721	544	581	22	4	-	3,872
Write offs	(14,465)	(3,915)	(6,517)	(239)	(3)	-	(25,139)
Effect of foreign currency translation	(185)	(75)	(3)	-	-	-	(263)
Balance at 30 September (Unaudited)	**9,823**	**3,725**	**3,479**	**529**	**3**	**124**	**17,683**

Movements in the loan impairment allowance by classes of loans to customers for the nine month period ended 30 September 2015 were as follows:

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Total
Balance at 1 January	**32,133**	**6,198**	**9,234**	**308**	**11**	**47,884**
Net charge	17,793	3,921	7,709	235	-	29,658
Loans recovered and sold which previously were written off	1,576	463	515	14	3	2,571
Write offs	(28,173)	(5,163)	(9,379)	(92)	(6)	(42,813)
Effect of foreign currency translation	(1,150)	(313)	(18)	-	-	(1,481)
Balance at 30 September (Unaudited)	**22,179**	**5,106**	**8,061**	**465**	**8**	**35,819**

14. Positive fair value of derivative instruments

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Trading derivative instruments	41	589
Hedging derivative instruments	-	7,628
	41	**8,217**

15. Financial assets available for sale

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Quoted debt securities		
Unpledged	24,403	22,240
	24,403	**22,240**

16. Property, equipment and intangible assets

(a) Intangible assets

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Cost	6,834	6,117
Accumulated amortisation	(3,992)	(3,216)
Net book value	**2,842**	**2,901**

(b) Property and equipment

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Cost	11,579	12,005
Accumulated depreciation	(6,374)	(5,995)
Impairment losses	(24)	(76)
Net book value	**5,181**	**5,934**

Movements in the impairment allowance were as follows:

	2016 MRUB	2015 MRUB
Balance at 1 January	**(76)**	**(242)**
Impairment losses	-	(140)
Amounts related to offices closed	52	382
Balance at 30 September (Unaudited)	**(24)**	**-**

17. Other assets

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Settlements with suppliers	783	851
Taxes other than income tax	349	349
Prepaid expenses	78	53
Accrued income	8	23
Other	213	171
Impairment allowance	(4)	(1)
	1,427	**1,446**

18. Debt securities issued

	Maturity	Coupon rate	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Stock exchange RUB bond issue 02 of MRUB 3,000	February 2016	Fixed, 9.40%	-	3,027
Cash loan receivables backed notes of MRUB 5,000	November 2021/ November 2016*	Fixed, 8.25%	5,006	4,980
Unsecured KZT bond issue 1 of MKZT 7,000	November 2016	Fixed, 8.50%	1,363	1,508
Unsecured KZT bond issue 2 of MKZT 6,769	February 2019	Fixed, 9.50%	1,273	1,481
			7,642	**10,996**

** Early redemption option date*

In February 2013 the Group issued the RUB denominated Stock exchange bond issue 02 with a fixed coupon rate which is valid until the final maturity. In February 2016 the Group fully repaid the bond issue at par.

In November 2013 the Group issued the RUB denominated cash loan receivables backed notes through HC Finance (LLC) with a fixed coupon rate which is valid until the coupon payment date on 19 January 2017 and capped floating coupon rate from 20 January 2017 till the final maturity. The proceeds from the issue were used to grant an unsecured loan to Eurasia Structured Finance No. 3 B.V. This loan was used to obtain cash loan receivables from the Bank (Note 13). On 28 November 2016 the cash loan receivables backed notes are fully repaid at par.

In November 2013 the Group issued the unsecured KZT denominated bond issue 1 with a fixed coupon rate which is valid until the final maturity.

In February 2014 the Group issued the unsecured KZT denominated bond issue 2 with a fixed coupon rate which is valid until the final maturity.

Eurasia Capital S.A., HC Finance (LLC), HC Finance No. 2 (LLC), Eurasia Structured Finance No. 3 B.V. and Eurasia Structured Finance No. 4 B.V. are structured entities established by the Group with the primary objective of raising finance through the issuance of debt securities and securitising part of consumer loan portfolio. These structured entities are run according to pre-determined criteria that are part of the initial design of the vehicles. The day-to-day servicing of the receivables is carried out by the Group under a servicing contract, other key decisions are also made by the Group. In addition, the Group is exposed to a variability of returns from the vehicles through exposure to tax benefits, cost savings related to issuance of debt securities and securitising part of consumer loan portfolio. As a result, the Group concluded that it controls these structured entities.

19. Subordinated debt

	Maturity	Coupon rate	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Loan participation notes issue of MUSD 500	April 2020/ April 2018*	Fixed, 9.38%	14,976	16,884
Loan participation notes issue of MUSD 200	April 2021/ April 2019*	Fixed, 10.50%	10,911	14,857
			25,887	**31,741**

** Early redemption option date*

In October 2012 the Group issued MUSD 500 of subordinated seven and a half year loan participation notes at the fixed rate of 9.38% through Eurasia Capital S.A. The terms of the loan agreement include a call option executable on 24 April 2018 ("the reset date"). After the reset date the interest rate is determined as two year US treasuries rate + 862.4 b.p. The proceeds from the issue were used to grant a subordinated loan to the Bank. In November 2012 the issue was registered with the CBR. As at 30 September 2016 the Group bought back the loan participation notes with a cumulative par value of MUSD 272 with result recognised in other operating income, net (Note 7).

In October 2013 the Group issued the MUSD 200 of Basel III compliant tier 2 seven and a half year loan participation notes at the fixed rate of 10.50% through Eurasia Capital S.A. The proceeds from the issue were used to grant a subordinated loan to the Bank. The terms of the loan agreement include a call option executable on 17 April 2019 ("the reset date"). After the reset date the interest rate is determined as two year US treasuries rate + 903 b.p. In November 2013 the issue was registered with the CBR. As at 30 September 2016 the Group bought back the loan participation notes with a par value of MUSD 35 with result recognised in other operating income, net (Note 7).

20. Due to banks and other financial institutions

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Unsecured loans	6,236	3,101
Other balances	381	289
	6,617	**3,390**

21. Current accounts and deposits from customers

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Retail		
Term deposits	118,182	142,651
Current accounts and demand deposits	26,975	28,789
	145,157	171,440
Corporate		
Term deposits	5,206	5,789
Current accounts and demand deposits	442	928
	5,648	6,717
	150,805	**178,157**

22. Negative fair value of derivative instruments

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Trading derivative instruments	176	244
	176	**244**

23. Other liabilities

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Accrued employee compensation	2,324	1,372
Settlements with suppliers	1,028	886
Other taxes payable	478	548
Accrued payments to the Deposits Insurance Agency	171	173
Provision for litigations	74	131
Provision for restructuring	9	38
Other	670	560
	4,754	**3,708**

Movements in the provision for litigations were as follows:

	2016 MRUB	2015 MRUB
Balance at 1 January	**131**	**186**
Net recovery/(charge)	(19)	49
Amounts paid	(38)	(65)
Balance at 30 September (Unaudited)	**74**	**170**

23. Other liabilities (continued)

Movements in the provision for restructuring were as follows:

	2016 MRUB	2015 MRUB
Balance at 1 January	**38**	**98**
Net charge	-	34
Amounts related to offices closed	(29)	(132)
Balance at 30 September (Unaudited)	**9**	**-**

24. Financial instruments

The following table shows assets and liabilities as at 30 September 2016 and 31 December 2015 by remaining contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the condensed consolidated interim statement of financial position because the statement of financial position amount is based on discounted cash flows. Under Russian law, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. The management believes that the majority of deposits will be withdrawn in accordance with their contractual maturity dates as presented in the table below.

	30 September 2016 (Unaudited)							31 December 2015						
MRUB	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Assets														
Cash and cash equivalents	17,506	-	-	-	-	-	17,506	33,524	-	-	-	-	-	33,524
Placements with banks and other financial institutions	-	2,155	4,514	5,313	-	2,987	14,969	-	-	6,072	-	-	3,181	9,253
Loans to customers	19,348	30,485	84,996	70,717	2,812	-	208,358	18,440	36,166	100,888	74,585	1,588	-	231,667
Positive fair value of derivative instruments	-	24	18	-	-	-	42	382	7,776	170	23	-	-	8,351
Financial assets available for sale	1,411	330	23,973	-	-	-	25,714	376	7,700	15,061	-	-	-	23,137
Financial assets held to maturity	2,492	-	-	-	-	-	2,492	-	-	-	-	-	-	-
Property, equipment and intangible assets	-	-	-	-	-	8,023	8,023	-	-	-	-	-	8,835	8,835
Assets classified as held for sale	-	-	160	-	-	-	160	-	-	163	-	-	-	163
Investment in associate	-	-	-	-	-	98	98	-	-	-	-	-	121	121
Current income tax receivable	-	-	25	-	-	-	25	-	-	312	-	-	-	312
Deferred tax asset	-	-	-	-	203	4,813	5,016	-	-	-	-	2,931	2,672	5,603
Other assets	115	66	1,222	24	-	-	1,427	141	81	1,224	-	-	-	1,446
Total assets	**40,872**	**33,060**	**114,908**	**76,054**	**3,015**	**15,921**	**283,830**	**52,863**	**51,723**	**123,890**	**74,608**	**4,519**	**14,809**	**322,412**
Liabilities														
Debt securities issued	34	6,393	123	1,441	-	-	7,991	34	3,209	6,943	1,779	-	-	11,965
Subordinated debt	1,339	-	1,339	29,891	-	-	32,569	-	-	3,089	36,767	-	-	39,856
Due to banks and other financial institutions	793	1,260	2,883	2,309	-	-	7,245	449	384	2,394	418	-	-	3,645
Current accounts and deposits from customers	32,315	15,640	86,241	26,015	-	-	160,211	61,582	24,354	67,016	35,323	-	-	188,275
Negative fair value of derivative instruments	-	163	12	-	-	-	175	38	88	125	-	-	-	251
Current income tax liability	220	-	-	-	-	-	220	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	1	1	-	-	-	-	-	33	33
Other liabilities	2,091	1,031	1,632	-	-	-	4,754	2,263	853	592	-	-	-	3,708
Total liabilities	**36,792**	**24,487**	**92,230**	**59,656**	**-**	**1**	**213,166**	**64,366**	**28,888**	**80,159**	**74,287**	**-**	**33**	**247,733**
Net balance position	**4,080**	**8,573**	**22,678**	**16,398**	**3,015**	**15,920**	**70,664**	**(11,503)**	**22,835**	**43,731**	**321**	**4,519**	**14,776**	**74,679**
Irrevocable credit related commitments	2,386	-	11	-	-	-	2,397	2,717	20	-	-	-	-	2,737
Financial guarantees	-	-	-	-	-	-	-	-	500	-	-	-	-	500
Net off-balance position	**2,386**	**-**	**11**	**-**	**-**	**-**	**2,397**	**2,717**	**520**	**-**	**-**	**-**	**-**	**3,237**
Cumulative net position	**1,694**	**10,267**	**32,934**	**49,332**	**52,347**	**68,267**		**(14,220)**	**8,095**	**51,826**	**52,147**	**56,666**	**71,442**	

24. Financial instruments (continued)

Fair value of financial instruments

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 the assets or transfer of liabilities.

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

The following assumptions are used by management to estimate the fair values of financial instruments that are traded in active markets:

- The estimation of the fair value of debt securities issued was made by using market quotes 99.4% from notional amount for debt securities issued in RUB and 97.0-99.8% from notional amount for debt securities issued in KZT.
- The estimation of the fair value of subordinated debt was made by using market quotes in the range of 97.9-100.0% from notional amount for subordinated debt issued in USD.

The following assumptions are used by management to estimate the fair values of other financial instruments:

- The estimation of the fair value of POS, cash and credit card loans was made by using discounting future cash flows at discount rates of 22.5-28.0%. The estimation of the fair value of mortgage loans was made by using discounting future cash flows at discount rates of 12.5%
- The estimation of the fair value of placements with banks and other financial institutions was made by using discounting future cash flows at discount rates of 7.0% in USD, 6.0% in EUR
- The estimation of the fair value of due to banks and other financial institutions was made by using discounting future cash flows at discount rates of 10.4% in RUB and 12.0% in KZT
- The estimation of the fair value of current accounts and deposits from customers was made by using discounting future cash flows at discount rates of 9.1% in RUB 2.1% in USD, 2.0% in EUR and 10.2% in KZT
- The Group uses valuation models for determining the fair value of financial instruments at fair value through profit or loss based on FX spot rates as set by the CBR, benchmark interest rates and other inputs.

The Group measures fair values for financial instruments recorded in the condensed consolidated interim financial statement of financial position 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: Valuation techniques based on observable inputs, 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 identical or 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: Valuation techniques using significant unobservable inputs. 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.

24. Financial instruments (continued)

The Group has a control framework with respect to the measurement of fair values. This framework includes the Risk Department, which is independent of front office management and reports to the Chief Risk Officer, and which has overall responsibility for the independent verification of 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.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Risk Department 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 Group for use in pricing the relevant type of financial instrument
- understanding how the fair value has been arrived at 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 Board of Management.

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement was categorised as at 30 September 2016:

MRUB	**Carrying amount (Unaudited)**	**Fair value (Unaudited)**			
		Level 1	**Level 2**	**Level 3**	**Total**
Assets					
Loans to customers	164,336	-	-	164,895	164,895
Liabilities					
Debt securities issued	7,642	7,571	-	-	7,571
Subordinated debt	25,887	25,621	-	-	25,621
Current accounts and deposits from customers	150,805	-	150,972	-	150,972

24. Financial instruments (continued)

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement was categorised as at 31 December 2015:

		Fair value			
MRUB	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Loans to customers	178,418	-	-	176,210	176,210
Liabilities					
Debt securities issued	10,996	7,830	2,662	-	10,492
Subordinated debt	31,741	29,570	-	-	29,570
Current accounts and deposits from customers	178,157	-	179,521	-	179,521

The estimates of fair values of financial assets other than loans to customers and financial liabilities other than debt securities issued, subordinated debt and current accounts and deposits from customers as at 30 September 2016 and 31 December 2015 are not materially different from their carrying values.

The table below analyses financial instruments measured at fair value as at 30 September 2016, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	**Level 1**	**Level 2**	**Total**
		(Unaudited)	
Assets			
Positive fair value of derivative instruments	-	41	41
Financial assets available for sale	24,403	-	24,403
Liabilities			
Negative fair value of derivative instruments	-	176	176

The table below analyses financial instruments measured at fair value at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	**Level 1**	**Level 2**	**Total**
Assets			
Positive fair value of derivative instruments	-	8,217	8,217
Financial assets available for sale	22,240	-	22,240
Liabilities			
Negative fair value of derivative instruments	-	244	244

25. Commitments

Credit related commitments

The Group has outstanding commitments to extend credit. These commitments take the form of approved credit limits related to customer credit card accounts, approved overdraft facilities, guarantees and approved consumer loans.

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Credit card commitments	12,306	17,217
POS and cash loan commitments	2,386	2,717
Undrawn overdraft facilities to corporations	11	20
Guarantees provided	-	500
	14,703	**20,454**

The total outstanding contractual commitments to extend credit indicated above represent future cash requirements. Credit related commitments to individual clients are mainly classified into category “less than one month” in terms of maturity, however some of these commitments may expire or terminate without being funded.

26. Operating leases

The Group leases a number of premises and equipment under operating leases. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

Non-cancellable operating lease rentals are payable as follows:

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Less than one year	681	735
Between one and five years	1,478	1,470
More than five years	192	224
	2,351	**2,429**

During the nine month period ended 30 September 2016 MRUB 815 (nine month period ended 30 September 2015: MRUB 1,273) was recognised as an expense in the condensed consolidated interim statement of profit or loss in respect of operating leases (Note 9).

27. Contingencies

Taxation contingencies

The taxation systems in the Russian Federation and the Republic of Kazakhstan are relatively new and are characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three and five subsequent calendar years accordingly; however, under certain circumstances a tax year may remain open longer. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

These circumstances may create tax risks in the Russian Federation and the Republic of Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian and Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these condensed consolidated interim financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

28. Related party transactions

(a) Transactions with the parent

Amounts included in the condensed consolidated interim statement of profit or loss in relation to transactions with the parent are as follows:

	9 month period ended 30 September	
	2016	**2015**
(Unaudited)	**MRUB**	**MRUB**
Interest income	484	703
Interest expense	-	(2)
(Loss)/gain from foreign exchange revaluation of financial assets and liabilities	(1,727)	909
	(1,243)	**1,610**

Amounts included in the condensed consolidated interim statement of financial position in relation to transactions with the parent are as follows:

	30 Sep 2016 MRUB (Unaudited)	**31 Dec 2015 MRUB**
Placements with banks and other financial institutions	11,284	5,885
	11,284	**5,885**

As at 30 September 2016 placements with banks and other financial institutions shown above included term deposits of MRUB 11,284 at an effective interest rate of 6.0% in EUR and 7.0% in USD with a maturity less than one month and from three months to one year (31 December 2015: MRUB 5,885 at an effective interest rate of 5.5% with the maturity from three months to one year).

(b) Transactions with entities controlled by the ultimate controlling entity

Amounts included in the condensed consolidated interim statement of profit or loss in relation to transactions with entities controlled by the ultimate controlling entity are as follows:

	9 month period ended 30 September	
	2016	**2015**
(Unaudited)	**MRUB**	**MRUB**
Interest income	(89)	(186)
Interest expense	(1,076)	(1,705)
Fee and commission income	992	926
Loss from foreign exchange revaluation of financial assets and liabilities	(82)	(116)
Net loss on spot transactions and derivatives	(497)	(84)
Gain from sale of loans	-	281
Other operating income/(expense)	22	(5)
General administrative expenses	(856)	(900)
	(1,586)	**(1,789)**

28. Related party transactions (continued)

(b) Transactions with entities controlled by the ultimate controlling entity (continued)

Amounts included in the condensed consolidated interim financial statement of financial position in relation to transactions with entities controlled by the ultimate controlling entity are as follows:

	30 Sep 2016 MRUB (Unaudited)	**31 Dec 2015 MRUB**
Cash and cash equivalents	129	1
Loans to customers	95	189
Positive fair value of derivative instruments	-	459
Property, equipment and intangible assets	821	793
Other assets	39	24
Debt securities issued	-	(91)
Subordinated debt	(11,299)	(12,347)
Due to banks and other financial institutions	(2,601)	(2,136)
Current accounts and deposits from customers	(157)	(964)
Negative fair value of derivative instruments	(176)	(206)
Other liabilities	(132)	(253)
	(13,281)	**(14,531)**

As at 30 September 2016 loans to customers shown above included loan origination agent fees paid totalling MRUB 95 which formed an integral part of loans to customers and were to be amortised within 8 months (31 December 2015: MRUB 189 and were to be amortised within 8 months).

The effective interest rate on debt securities issued shown above was 9.6% and the maturity was one month to three months as at 31 December 2015.

As at 30 September 2016 due to banks and other financial institutions included deposits of MRUB 314 at an effective interest rate of 12.7% with the maturity less than one month, MRUB 2,050 at an effective interest rate of 10.7% with the maturity from one month to two years and other balances of MRUB 237 with the maturity less than one month (31 December 2015: MRUB 2,136 at an effective interest rate 12.0% with the maturity from one month to two years).

As at 30 September 2016 current accounts and deposits from customers included other balances of MRUB 157 with the maturity less than one month (31 December 2015: a deposit of MRUB 862 at an effective interest rate of 10.6% with the maturity from one month to three months and other balances of MRUB 102 with the maturity less than one month).

As at 30 September 2016 subordinated debt amounted to MRUB 11,299 at an effective interest rate of 10.2% with the maturity from one year to four years (31 December 2015: MRUB 12,347 at an effective interest rate 10.3% with the maturity from one year to five years).

(c) Transactions with members of key management

Amounts included in the condensed consolidated interim financial statement of profit or loss in relation to transactions with members of key management (members of the Council and the Board of Management) of MRUB 444 (nine month period ended 30 September 2015: MRUB 258) represent compensation for the period.

29. Capital management

The Group's lead regulator, the CBR, sets and monitors capital requirements for both the Bank and the Group as a whole. Bank Home Credit (SB JSC) is regulated and monitored in Kazakhstan by the NBRK.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. The Group calculates the amount of capital and capital adequacy ratios for prudential purposes in accordance with the Provision of the CBR dated 28 December 2012 No 395–P *On methodology of calculation of own funds (capital) of the credit organisations (Basel III).* As at 30 September 2016, this minimum levels of core capital, primary capital and total capital to risk weighted assets were 4.5%, 6.0% and 8.0% respectively (31 December 2015: 5.0%, 6.0% and 10.0% respectively).

The Group maintains capital adequacy at the level appropriate to the nature and volume of its operations.

The Group provides the territorial CBR that supervise the Bank with information on mandatory ratios in accordance with set form. The Accounting department controls on a daily basis compliance with capital adequacy ratios.

The calculation of capital adequacy of the Group based on requirements set by the CBR as at 30 September 2016 and 31 December 2015 was as follows:

	30 Sep 2016 MRUB (Unaudited)	**31 Dec 2015 MRUB**
Risk-weighted assets (N20.0)	**415,303**	**415,441**
Risk-weighted assets (N20.1, N20.2)	**415,206**	**415,441**
Core capital	31,100	34,222
Primary capital	31,100	34,222
Additional capital	25,231	26,032
Total capital	**56,331**	**60,254**
Core capital adequacy ratio N20.1	**7.5%**	**8.2%**
Primary capital adequacy ratio N20.2	**7.5%**	**8.2%**
Total capital adequacy ratio N20.0	**13.6%**	**14.5%**

The Group also calculates its capital adequacy in compliance with the Basel Accord issued in 1988 and amended in 1998 ("Accord") set out by the Bank of International Settlements ("BIS"). Tier I capital is represented by equity. Tier II capital is represented by subordinated debt up to 50% of tier I. In accordance with the Accord the minimum levels of Tier I capital and total capital to risk weighted assets are 4.0% and 8.0% respectively.

29. Capital management (continued)

The calculation of capital adequacy based on requirements set by BIS as at 30 September 2016 and 31 December 2015 was as follows:

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Risk weighted assets	**217,918**	**233,969**
Tier I capital	41,693	39,654
Tier II capital	18,478	17,287
Total capital	**60,171**	**56,941**
Tier I ratio	19.1%	16.9%
Capital Adequacy Ratio	27.6%	24.3%

As at 30 September 2016 and 31 December 2015 the Group was fully in compliance with the capital regulations described above.

30. Segment analysis

The Board of Management is the chief operating decision maker. The Board of Management reviews internal reporting on a regular basis to assess the performance of individual segments and to allocate resources accordingly.

The Board of Management monitors performance mainly from a product perspective and geographical perspective.

Operational information is represented by major reportable segments being POS loans, cash loans and credit card loans. Other segments comprising mortgage loans, car loans, loans to corporations and treasury operations are less significant and thus are not reported separately by the Group.

The Group operates in the Russian Federation and the Republic of Kazakhstan. In presenting geographical information the allocation of revenue is based on the geographical location of customers and assets.

Revenues of reportable segments consist of interest and fee income including inter-segment revenues resulting from allocation of financing raised by the treasury function to major segments. Performance of individual segments is assessed by the Board of Management based on segment profit or loss.

Total segment assets mainly consist of the loan portfolio and interest earning financial assets accumulated as a result of treasury operations. A presentation of segment revenues, segment profit and assets is provided below.

30. Segment analysis (continued)

(a) Operational segments

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
9 month period ended 30 September 2016 (Unaudited)					
External interest income	7,350	4,931	19,225	3,091	**34,597**
Fee and commission income	3,959	1,585	3,535	1,249	**10,328**
Inter segment revenue	-	-	-	10,580	**10,580**
Total revenues	**11,309**	**6,516**	**22,760**	**14,920**	**55,505**
External interest expense	-	-	-	(14,022)	**(14,022)**
Inter segment interest expense	(1,639)	(1,385)	(6,902)	-	**(9,926)**
Inter segment other operating expense, net	(102)	(97)	(455)	-	**(654)**
Fee and commission expense	(37)	(537)	(99)	(66)	**(739)**
Other operating expense, net	-	-	-	(884)	**(884)**
Impairment losses	(2,565)	(2,579)	(4,151)	(366)	**(9,661)**
Total expenses	**(4,343)**	**(4,598)**	**(11,607)**	**(15,338)**	**(35,886)**
Segment profit/(loss)	**6,966**	**1,918**	**11,153**	**(418)**	**19,619**
9 month period ended 30 September 2015 (Unaudited)					
External interest income	6,580	7,897	28,606	4,173	**47,256**
Fee and commission income	4,164	2,263	4,226	585	**11,238**
Inter segment revenue	-	-	-	20,502	**20,502**
Total revenues	**10,744**	**10,160**	**32,832**	**25,260**	**78,996**
External interest expense	-	-	-	(23,875)	**(23,875)**
Inter segment interest expense	(2,661)	(2,710)	(15,804)	-	**(21,175)**
Inter segment other operating income, net	23	159	491	-	**673**
Fee and commission expense	(64)	(613)	(272)	(61)	**(1,010)**
Other operating income, net	248	-	128	1,110	**1,486**
Impairment losses	(3,921)	(7,709)	(17,793)	(231)	**(29,654)**
Total expenses	**(6,375)**	**(10,873)**	**(33,250)**	**(23,057)**	**(73,555)**
Segment profit/(loss)	**4,369**	**(713)**	**(418)**	**2,203**	**5,441**

30. Segment analysis (continued)

(a) Operational segments (continued)

Segment assets MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
Carrying amount at 30 September 2016 (Unaudited)	49,765	17,884	89,836	49,989	**207,474**
Carrying amount at 31 December 2015	50,343	23,674	97,019	56,812	**227,848**

A reconciliation of segment revenues to total revenues is provided as follows:

	9 month period ended 30 September	
(Unaudited)	**2016 MRUB**	**2015 MRUB**
Segment revenues	**55,505**	**78,996**
Inter segment revenue	(10,580)	(20,502)
Unallocated fee and comission income	306	215
Total revenues	**45,231**	**58,709**

A reconciliation of segment profit to total profit before tax is provided as follows:

	9 month period ended 30 September	
(Unaudited)	**2016 MRUB**	**2015 MRUB**
Segment profit for reportable segments	**19,619**	**5,441**
Unallocated fee and comission income	306	215
Unallocated fee and comission expense	(985)	(951)
Unallocated other operating income	345	(97)
Unallocated impairment losses	(29)	(140)
General administrative expenses	(13,493)	(15,643)
Profit/(loss) before tax	**5,763**	**(11,175)**

Reportable segments' assets are reconciled to total assets as follows:

	30 Sep 2016 MRUB (Unaudited)	31 Dec 2015 MRUB
Total segment assets	**207,474**	**227,848**
Cash and cash equivalents (excluded from other segments)	14,529	22,116
Placements with banks and other financial institutions (excluded from other segments)	1,043	1,479
Property, equipment and intangible assets	8,023	8,835
Assets classified as held for sale	160	163
Investment in associate	98	121
Income tax assets	5,041	5,915
Other assets	1,427	1,446
Total assets	**237,795**	**267,923**

30. Segment analysis (continued)

(b) Geographical segments

MRUB 9 month period ended 30 September 2016 (Unaudited)	Russian Federation	Kazakhstan	Eliminations	Total
External interest income	29,310	5,287	-	**34,597**
Fee and commission income	8,126	2,508	-	**10,634**
Inter segment revenue	461	-	(461)	-
Total revenues	**37,897**	**7,795**	**(461)**	**45,231**
External interest expense	(12,909)	(1,113)	-	**(14,022)**
Inter segment interest expense	-	(461)	461	-
Inter segment other operating expense, net	(191)	(215)	-	**(406)**
Fee and commission expense	(1,550)	(174)	-	**(1,724)**
Other operating expenses, net	1,473	191	(1,797)	**(133)**
Impairment losses	(9,347)	(343)	-	**(9,690)**
General administrative expenses	(10,736)	(2,757)	-	**(13,493)**
Total expenses	**(33,260)**	**(4,872)**	**(1,336)**	**(39,468)**
Profit before tax	**4,637**	**2,923**	**(1,797)**	**5,763**
Income tax expense	(577)	(613)	-	**(1,190)**
Profit for the period	**4,060**	**2,310**	**(1,797)**	**4,573**

MRUB 9 month period ended 30 September 2015 (Unaudited)	Russian Federation	Kazakhstan	Eliminations	Total
External interest income	39,904	7,352	-	**47,256**
Fee and commission income	7,693	3,760	-	**11,453**
Inter segment revenue	89	-	(89)	-
Total revenues	**47,686**	**11,112**	**(89)**	**58,709**
External interest expense	(22,466)	(1,409)	-	**(23,875)**
Inter segment interest (expense)/income	-	(89)	89	-
Inter segment other operating income, net	215	(47)	-	**168**
Fee and commission expense	(1,795)	(166)	-	**(1,961)**
Other operating income, net	3,637	(549)	(1,867)	**1,221**
Impairment losses	(27,201)	(2,593)	-	**(29,794)**
General administrative expenses	(12,184)	(3,459)	-	**(15,643)**
Total expenses	**(59,794)**	**(8,312)**	**(1,778)**	**(69,884)**
(Loss)/profit before tax	**(12,108)**	**2,800**	**(1,867)**	**(11,175)**
Income tax benefit/(expense)	2,703	(802)	-	**1,901**
(Loss)/profit for the period	**(9,405)**	**1,998**	**(1,867)**	**(9,274)**

30. Segment analysis (continued)

Segment assets

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Carrying amount at 30 September 2016 (Unaudited)	215,820	25,233	(3,258)	**237,795**
Carrying amount at 31 December 2015	249,131	25,266	(6,474)	**267,923**

31. Subsequent events

In November 2016 the Group declared and paid out dividends of MRUB 752 in accordance with the decision of the General Meeting of Members.

On 28 November 2016 the cash loan receivables backed notes of MRUB 5,000 are fully repaid at par.

Chairman of the Board of Management	Chief Financial Officer
Y. Andresov	I. Kolikova

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