Home Credit and Finance Bank

Condensed Consolidated Interim Financial Statements for the three month period ended 31 March 2017

(unaudited)

Contents

(Unaudited)	**Note**	**3 month period ended 31 Mar 2017 MRUB**	**3 month period ended 31 Mar 2016 MRUB**
Interest income	4	11,234	12,125
Interest expense	4	(4,185)	(4,947)
Net interest income		**7,049**	**7,178**
Fee and commission income	5	2,829	3,044
Fee and commission expense	6	(563)	(542)
Net fee and commission income		**2,266**	**2,502**
Other operating income/(expense), net	7	30	(629)
Operating income		**9,345**	**9,051**
Impairment losses on loans to customers	8	(633)	(4,936)
Impairment losses on other assets	8	(12)	(12)
General administrative expenses	9	(4,512)	(4,283)
Operating expenses		**(5,157)**	**(9,231)**
Profit/(loss) before tax		**4,188**	**(180)**
Income tax (expense)/benefit	10	(875)	11
Profit/(loss) for the year		**3,313**	**(169)**

The condensed consolidated interim financial statements as set out on pages 3 to 36 were approved by the Board of Management on 24 May 2016.

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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

(Unaudited)	**3 month period ended 31 Mar 2017 MRUB**	**3 month period ended 31 Mar 2016 MRUB**
Profit/(loss) for the period, recognised in condensed consolidated interim statement of profit or loss	3,313	(169)
Other comprehensive income that is or may be reclassified subsequently to profit or loss		
Revaluation reserve for financial assets available for sale:		
- net change in fair value, net of tax	(3)	30
- net change in fair value transferred to profit or loss, net of tax	-	14
Cash flow hedge reserve:		
- effective portion of changes in fair value, net of tax	-	200
- net amount transferred to profit or loss, net of tax	-	(237)
Effect of foreign currency translation	(108)	(585)
Other comprehensive loss for the period, net of tax	(111)	(578)
Total comprehensive income/(loss) for the period	3,202	(747)

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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

	Note	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
ASSETS			
Cash and cash equivalents	11	23,318	23,122
Placements with banks and other financial institutions	12	11,323	7,461
Loans to customers	13	170,170	170,945
Positive fair value of derivative instruments	14	-	22
Financial assets available for sale	15	21,221	21,602
Financial assets held to maturity		1,609	-
Assets classified as held for sale		161	127
Property, equipment and intangible assets	16	7,684	7,799
Investment in associate		169	138
Deferred tax asset		4,384	4,818
Other assets	17	1,402	1,557
Total assets		**241,441**	**237,591**
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	18	1,212	1,257
Subordinated debt	19	23,110	24,279
Due to banks and other financial institutions	20	6,294	6,973
Current accounts and deposits from customers	21	158,514	155,683
Negative fair value of derivative instruments	22	163	39
Current income tax liability		563	336
Other liabilities	23	4,586	5,227
Total liabilities		**194,442**	**193,794**
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for financial assets available for sale		6	9
Translation reserve		(1,064)	(956)
Retained earnings		33,020	29,707
Total equity		**46,999**	**43,797**
Total liabilities and equity		**241,441**	**237,591**

Chairman of the Board of Management

Y. Andresov

ООО "ХКФ Банк" HCF Bank МОСКВА

Chief Financial Officer

I. Kolikova

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

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 2016	**4,406**	**10,631**	**(86)**	**37**	**175**	**24,491**	**39,654**
Loss for the period	-	-	-	-	-	(169)	(169)
Revaluation reserve for financial assets available for sale:							
- net change in fair value, net of tax	-	-	30	-	-	-	30
- net change in fair value transferred to profit or loss, net of tax	-	-	14	-	-	-	14
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	-	-	-	-	(585)	-	(585)
Total comprehensive loss for the period	-	-	44	(37)	(585)	(169)	(747)
Balance at 31 March 2016 (unaudited)	**4,406**	**10,631**	**(42)**	**-**	**(410)**	**24,322**	**38,907**

MRUB	Charter capital	Other capital contributions	Revaluation reserve for financial assets	Translation reserve	Retained earnings	Total
Balance at 1 January 2017	**4,406**	**10,631**	**9**	**(956)**	**29,707**	**43,797**
Profit for the period	-	-	-	-	3,313	3,313
Net change in fair value for financial assets available for sale, net of tax	-	-	(3)	-	-	(3)
Effect of foreign currency translation	-	-	-	(108)	-	(108)
Total comprehensive profit for the period	-	-	(3)	(108)	3,313	3,202
Balance at 31 March 2017 (unaudited)	**4,406**	**10,631**	**6**	**(1,064)**	**33,020**	**46,999**

Chairman of the Board of Management

Y. Andresov

ООО "ХКФ Банк" HCF Bank

Chief Financial Officer

I. Kolikova

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

(Unaudited)	Note	3 month period ended 31 Mar 2017 MRUB	3 month period ended 31 Mar 2016 MRUB
Cash flow from operating activities			
Interest received		11,730	12,602
Interest paid		(3,526)	(4,426)
Fees and commissions received		2,931	3,307
Fees and commissions paid		(569)	(540)
Net (payments)/receipts from foreign exchange transactions		(24)	7,333
Other operating income received		49	45
Administrative and other operating expenses paid		(4,395)	(3,457)
Income tax paid		(210)	(80)
Cash flows from operating activities before changes in operating assets and liabilities		**5,986**	**14,784**
Changes in operating assets and liabilities			
Net increase in placements with banks and other financial institutions		(4,426)	(5,451)
Net (increase)/decrease in financial assets available for sale		(355)	1,818
Net (increase)/decrease in loans to customers		(1,293)	2,526
Net increase in other assets		(89)	(129)
Net increase/(decrease) in current accounts and deposits from customers		3,374	(32,694)
Net (decrease)/increase in due to banks and other financial institutions		(697)	1,759
Net increase in other liabilities		187	86
Net cash (used in)/from operating activities		**2,687**	**(17,301)**
Cash flows used in investing activities			
Dividends from associate		-	123
Proceeds from sale of property and equipment		-	2
Acquisition of property, equipment and intangible assets		(383)	(363)
Purchase of financial assets held to maturity		(1,609)	-
Net cash used in investing activities		**(1,992)**	**(238)**
Cash flows from financing activities			
Repayments of debt securities issued		-	(3,000)
Net cash used in financing activities		**-**	**(3,000)**
Net increase/(decrease) in cash and cash equivalents		695	(20,539)
Effect of exchange rate changes on cash and cash equivalents		(499)	(691)
Cash and cash equivalents at the beginning of the year	11	23,122	33,500
Cash and cash equivalents at 31 March	11	**23,318**	**12,270**

ООО "ХКФ Банк" HCF Bank

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

The condensed consolidated interim financial statements of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated 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 (%)**	
		31 Mar 2017	**31 Dec 2016**
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 (%)**	
		31 Mar 2017	**31 Dec 2016**
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
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 31 March 2017 Bonus Center Operations (LLC) was liquidated.*

** *As at 31 March 2017 HC Finance No.2 (LLC) was in the process of liquidation.*

Associate	**Country of incorporation**	**Ownership interest (%)**	
		31 Mar 2017	**31 Dec 2016**
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 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 31 March 2017 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, 248 standard banking offices, 3,802 loan offices, 75 regional centres, 2 representative offices and over 90 thousand points of sale in the Russian Federation and several Russian post offices. As at 31 March 2017 the ATM network comprised 719 ATMs and payment terminals across the Russian Federation.

As at 31 March 2017 the distribution network in Kazakhstan comprised 41 standard banking offices, 7,905 loan offices and points of sale, 215 Kazakhstan post offices and 393 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 2016, 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 2016.

(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 Kazahstan Tenge ("KZT"). The RUB is the Group’s presentation currency for the purposes of these condensed consolidated interim financial statements. Financial information presented in RUB is rounded to the nearest million unless otherwise stated.

2. Basis of preparation (continued)

(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.

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 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 2016.

(a) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 March 2017, and are 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 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. The core principle of the new standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or 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. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group does not intend to adopt this standard early. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16 Leases replaces the existing lease accounting guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains* a lease, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 Revenue from Contracts with Customers is also adopted. The Group does not intend to adopt this standard early. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

2. Basis of preparation (continued)

IFRS 9 Financial instruments, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, and includes requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the whole hybrid instrument is assessed for classification. Equity investments are measured at fair value.

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

Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model. The new impairment model applies to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. The new impairment model generally requires to recognize expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Under IFRS 9, impairment is measured as either expected credit losses resulting from default events on the financial instrument that are possible within the next 12 months (‘12-month ECL’) or expected credit losses resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Initial amount of expected credit losses recognised for a financial asset is equal to 12-month ECL (except for certain trade and lease receivables, and contract assets, or purchased or originated credit-impaired financial assets). If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

Financial assets for which 12-month ECL is recognised are considered to be in stage 1; financial assets that have experienced a significant increase in credit risk since initial recognition, but are not defaulted are considered to be in stage 2; and financial assets that are in default or otherwise credit-impaired are considered to be in stage 3.

Measurement of expected credit losses is required to be unbiased and probability-weighted, should reflect the time value of money and incorporate reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions. Under IFRS 9, credit losses are recognised earlier than under IAS 39, resulting in increased volatility in profit or loss. It will also tend to result in an increased impairment allowance, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population with objective evidence of impairment identified under IAS 39.

Calculation of expected credit losses is likely to be based on the probability of default, loss given default and exposure at default (PDxLGDxEAD) approach (at least for some portfolios), depending on the type of the exposure, stage at which the exposure is classified under IFRS 9, collective or individual assessment, etc.

Hedge accounting

The general hedge accounting requirements aim to simplify hedge accounting, aligning the hedge accounting more closely with risk management strategies. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project. IFRS 9 includes an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39.

2. Basis of preparation (continued)

Transition

The classification and measurement and impairment requirements are generally applied retrospectively (with some exemptions) by adjusting the opening retained earnings and reserves at the date of initial application, with no requirement to restate comparative periods.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption of the standard is permitted. The Group does not intend to adopt the standard earlier.

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 2017. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

(b) Comparative numbers

The presentation of certain captions relating to fee and commision income was changed as at 31 March 2017 in comparison with 31 March 2016 to better present the nature of the underlying transaction. Comparative information is reclassified to conform to changes in presentation in the curent year. The effect of this change in presentation is follows:

	3 month period ended 31 Mar 2016 MRUB As previously	Effect of reclassifications	3 month period ended 31 Mar 2016 MRUB As reclassified
Reclassification of fees from retailers from consolidated statement of profit or loss caption “Fee and commission income” to interest income on loans to customers in caption “Interest income”			
Interest income	11,848	277	12,125
Fee and commission income	3,321	(277)	3,044

4. Interest income and interest expense

(Unaudited)	3 month period ended 31 Mar 2017 MRUB	3 month period ended 31 Mar 2016 MRUB
Interest income		
Loans to individuals	10,329	11,293
Financial assets available for sale	368	492
Placements with banks and other financial institutions	313	231
Loans to corporations	118	81
Amounts receivable under reverse repurchase agreements	106	28
	11,234	**12,125**
Interest expense		
Current accounts and deposits from customers	3,392	3,746
Subordinated debt	563	781
Due to banks and other financial institutions	199	154
Debt securities issued	31	227
Amounts payable under repurchase agreements	-	39
	4,185	**4,947**

Included within interest income on loans to individuals for three months ended 31 March 2017 is a total of MRUB 822 (three months ended 31 March 2016: MRUB 2,081) accrued on impaired financial assets.

5. Fee and commission income

(Unaudited)	3 month period ended 31 Mar 2017 MRUB	3 month period ended 31 Mar 2016 MRUB
Insurance agent commissions	1,630	1,867
Customer payments processing and account maintenance	345	286
Fees from retailers	266	64
Contractual penalties from customers	263	421
Cash operations	244	259
Pension agent commissions	67	115
Other	14	32
	2,829	**3,044**

6. Fee and commission expense

(Unaudited)	3 month period ended 31 Mar 2017 MRUB	3 month period ended 31 Mar 2016 MRUB
Payments to the Deposit Insurance Agency	178	150
Payments processing and account maintenance	134	135
Customer verification fees	121	65
Cash transactions	119	154
State duties	-	23
Other	11	15
	563	**542**

7. Other operating (expense)/income, net

(Unaudited)	**Note**	**3 month period ended 31 Mar 2017 MRUB**	**3 month period ended 31 Mar 2016 MRUB**
Share of the profit of associate		30	34
Net realised gain/(loss) on disposal of financial assets available for sale		14	(5)
Gain from sale of loans	13	2	-
Gain from foreign exchange revaluation of financial assets and liabilities		1	924
Net gain on interest rate derivatives		1	18
Hedging derivatives instruments		-	(78)
Net loss on spot transactions and currency derivatives		(45)	(1,532)
Other		27	10
		30	**(629)**

8. Charge/(recovery) of impairment losses

(Unaudited)		**3 month period ended 31 Mar 2017 MRUB**	**3 month period ended 31 Mar 2016 MRUB**
POS loans	13	457	1,049
Credit card loans	13	118	1,349
Loans to corporations	13	57	-
Cash loans	13	51	2,398
Other assets	17	12	12
Car loans	13	-	(2)
Mortgage loans	13	(50)	142
		645	**4,948**

9. General administrative expenses

(Unaudited)		**3 month period ended 31 Mar 2017 MRUB**	**3 month period ended 31 Mar 2016 MRUB**
Personnel related expenses		2,318	2,164
Payroll related taxes		541	504
Depreciation and amortisation		439	535
Occupancy	26	260	271
Information technology		217	174
Telecommunication and postage		192	163
Repairs and maintenance		185	147
Professional services		169	87
Taxes other than income tax		57	54
Advertising and marketing		31	48
Travel expenses		41	35
Other		62	101
		4,512	**4,283**

10. Income tax (expenses)/benefit

(Unaudited)	3 month period ended 31 Mar 2017 MRUB	3 month period ended 31 Mar 2016 MRUB
Current tax expense	(441)	(180)
Deferred tax (expense)/benefit	(434)	191
	(875)	**11**

Reconciliation of effective tax rate

(Unaudited)	3 month period ended 31 Mar 2017 MRUB	3 month period ended 31 Mar 2016 MRUB
Profit/(loss) before tax	**4,188**	**(180)**
Income tax using the applicable tax rate 20%	(838)	37
Net non-deductible costs	(37)	(34)
Income taxed at lower tax rates	-	8
	(875)	**11**

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

	3 month period ended 31 Mar 2017			3 month period ended 31 Mar 2016		
MRUB	**Amount before tax**	**Tax benefit**	**Amount net of tax**	**Amount before tax**	**Tax benefit/ (expense)**	**Amount net of tax**
Net change in fair value of financial assets available for sale	(4)	1	(3)	55	(11)	44
Cash flow hedge reserve	-	-	-	(46)	9	(37)
	(4)	**1**	**(3)**	**9**	**(2)**	**7**

11. Cash and cash equivalents

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Amounts receivable under reverse repurchase agreements	10,339	7,024
Nostro accounts with the CBR	5,211	6,829
Placements with banks and other financial institutions due within one month	4,020	2,950
Cash	2,346	4,429
Placements with the NBRK	1,344	1,890
Nostro accounts with the NBRK	58	-
	23,318	**23,122**

No cash and cash equivalents are impaired or past due.
Placements with banks and other financial institutions shown above comprise nostro accounts.

12. Placements with banks and other financial institutions

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Term deposits with banks and other financial institutions due after one month	8,533	4,560
Placements with MasterCard and VISA	1,508	1,655
Minimum reserve deposit with the CBR	1,132	1,102
Minimum reserve deposit with the NBRK	150	144
	11,323	**7,461**

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.

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percentage of particular Bank Home Credit’s (SB JSC) liabilities. Bank Home Credit (SB JSC) is required to comply with these requirements by maintaining average cash in local currency and nostro accounts with the NBRK equal or in excess of the average minimum requirements.

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

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

13. Loans to customers

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Cash loans	97,432	97,930
POS loans	60,769	61,667
Credit card loans	18,827	19,644
Loans to corporations	4,048	4,346
Mortgage loans	2,357	2,755
Car loans	3	4
Impairment allowance	(13,266)	(15,401)
	170,170	**170,945**

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 73 and require a minimum monthly payment of 5% of the outstanding principal balance on the respective credit card plus other charges (31 December 2016: 3 years and TRUB 73 respectively and a minimum monthly payment of 5% of the outstanding principal balance on the respective credit card plus other charges). As at 31 March 2017 the average loan-to-value ratio for mortgage loans was 55% (31 December 2016: 56%).

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

	31 Mar 2017		31 Dec 2016	
	Size TRUB	Term Months (Unaudited)	Size TRUB	Term Months
Cash loans	172.2	48	169.2	47
POS loans	37.5	17	37.2	17

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

	31 Mar 2017		31 Dec 2016	
	NPLs MRUB	Provision coverage % (Unaudited)	NPLs MRUB	Provision coverage %
Cash loans	4,561	152	5,479	149
Credit card loans	2,184	113	2,305	135
POS loans	2,085	155	2,725	129
Mortgage loans	581	71	712	68
Car loans	1	200	2	100
Total	**9,412**	**141**	**11,223**	**137**

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 three month period ended 31 March 2017 the Group did not sell any non-performing loans (three month period ended 31 March 2016: none).

13. Loans to customers (continued)

During the three month period ended 31 March 2017 the Group sold performing mortgage loans with the gross value of MRUB 145 for MRUB 147. The gain of MRUB 2 is recognised in other operating income, net (three month period ended 31 March 2016: none) (Note 7).

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 2016.

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 31 March 2017 renegotiated gross loans to retail customers amounted to MRUB 4,940 (31 December 2016: MRUB 5,353).

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 31 March 2017 would be MRUB 1,702 lower/higher (31 December 2016: MRUB 1,709).

Analysis of movements in impairment allowance

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

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Loans to corporations	Total
1 January	**8,156**	**3,511**	**3,105**	**485**	**2**	**142**	**15,401**
Net charge/ (recovery)	51	457	118	(50)	-	57	633
Loans recovered and sold which previously were written off	1,049	206	189	40	-	-	1,484
Write offs	(2,309)	(927)	(935)	(65)	-	-	(4,236)
Effect of foreign currency translation	(8)	(7)	(1)	-	-	-	(16)
Balance at 31 March (Unaudited)	**6,939**	**3,240**	**2,476**	**410**	**2**	**199**	**13,266**

Movements in the loan impairment allowance by classes of loans to customers for the three month period ended 31 March 2016 were as follows:

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Total
1 January	**17,604**	**4,606**	**6,839**	**500**	**6**	**29,555**
Net charge/(recovery)	2,398	1,049	1,349	142	(2)	4,936
Loans recovered and sold which previously were written off	767	161	178	7	2	1,115
Write offs	(6,154)	(1,497)	(2,821)	(41)	(1)	(10,514)
Effect of foreign currency translation	(134)	(53)	(2)	-	-	(189)
Balance at 31 March (Unaudited)	**14,481**	**4,266**	**5,543**	**608**	**5**	**24,903**

14. Positive fair value of derivative instruments

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Trading derivative instruments	-	22
	-	**22**

15. Financial assets available for sale

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Quoted debt securities		
Unpledged	21,221	21,602
	21,221	**21,602**

16. Property, equipment and intangible assets

(a) Intangible assets

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Cost	7,285	6,928
Accumulated amortisation	(4,459)	(4,073)
Net book value	**2,826**	**2,855**

(b) Property and equipment

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Cost	11,364	11,403
Accumulated depreciation	(6,428)	(6,375)
Impairment losses	(78)	(84)
Net book value	**4,858**	**4,944**

Movements in the impairment allowance are as follows:

	2017 MRUB	2016 MRUB
Balance at 1 January	**(84)**	**(76)**
Amounts related to offices closed	6	49
Balance at 31 March (Unaudited)	**(78)**	**(27)**

17. Other assets

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Settlements with suppliers	956	955
Taxes other than income tax	271	463
Prepaid expenses	111	83
Accrued income	8	4
Other	62	57
Impairment allowance	(6)	(5)
	1,402	**1,557**

Movements in the impairment allowance are as follows:

	Note	2017 MRUB	2016 MRUB
Balance at 1 January		**(5)**	**(1)**
Net charge	8	(12)	(12)
Write-off		10	6
Effect of foreign currency translation		1	1
Balance at 31 March (Unaudited)		**(6)**	**(6)**

18. Debt securities issued

	Maturity	Coupon rate	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Unsecured KZT bond issue 2 of MKZT 6,769	February 2019	Fixed, 9.50%	1,212	1,257
			1,212	**1,257**

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.

19. Subordinated debt

	Maturity	Coupon rate	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Loan participation notes issue of MUSD 500	April 2020/ April 2018*	Fixed, 9.38%	13,370	14,061
Loan participation notes issue of MUSD 200	April 2021/ April 2019*	Fixed, 10.50%	9,740	10,218
			23,110	**24,279**

** Early redemption option date / Repayment date*

19. Subordinated debt (continued)

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 31 March 2017 the Group bought back the loan participation notes with a cumulative par value of MUSD 272.

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. In April 2016 the Group bought back the loan participation notes with a par value of MUSD 35.

20. Due to banks and other financial institutions

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Unsecured loans	6,038	6,697
Secured loans	-	6
Other balances	256	270
	6,294	**6,973**

21. Current accounts and deposits from customers

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Retail		
Term deposits	121,512	119,393
Current accounts and demand deposits	30,419	30,039
	151,931	149,432
Corporate		
Term deposits	6,246	5,999
Current accounts and demand deposits	337	252
	6,583	6,251
	158,514	**155,683**

22. Negative fair value of derivative instruments

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Trading derivative instruments	163	39
	163	**39**

23. Other liabilities

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Accrued employee compensation	1,787	2,197
Settlements with suppliers	1,338	1,579
Provision for return of insurance fee	521	475
Other taxes payable	398	424
Accrued payments to the Deposits Insurance Agency	171	168
Provision for restructuring	48	51
Provision for litigations	47	69
Other	276	264
	4,586	**5,227**

Movements in the provision for return of insurance fee were as follows:

	2017 MRUB	2016 MRUB
Balance at 1 January	**475**	**253**
Net charge	440	340
Amounts returned	(394)	(309)
Balance at 31 March (Unaudited)	**521**	**284**

Movements in the provision for litigations were as follows:

	2017 MRUB	2016 MRUB
Balance at 1 January	**69**	**131**
Net recovery	(17)	-
Amounts paid	(5)	(14)
Balance at 31 March (Unaudited)	**47**	**117**

Movements in the provision for restructuring are as follows:

	2017 MRUB	2016 MRUB
Balance at 1 January	**51**	**38**
Amounts related to offices closed	(3)	(29)
Balance at 31 March (Unaudited)	**48**	**9**

24. Financial instruments

The following table shows assets and liabilities as at 31 March 2017 and 31 December 2016 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.

	31 March 2017 (Unaudited)							**31 December 2016**						
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	23,476	-	-	-	-	-	23,476	23,126	-	-	-	-	-	23,126
Placements with banks and other financial institutions	-	-	-	9,194	-	2,791	11,985	-	-	11	5,036	-	2,901	7,948
Loans to customers	18,490	32,349	90,205	70,687	2,310	-	214,041	19,325	31,268	84,482	72,587	3,217	-	210,879
Positive fair value of derivative instruments	-	-	-	-	-	-	-	-	22	-	-	-	-	22
Financial assets available for sale	15,485	557	3,877	1,818	-	-	21,737	17,230	118	4,133	422	-	-	21,903
Financial assets held to maturity	1,612	-	-	-	-	-	1,612	-	-	-	-	-	-	-
Property, equipment and intangible assets	-	-	-	-	-	7,684	7,684	-	-	-	-	-	7,799	7,799
Assets classified as held for sale	-	-	161	-	-	-	161	-	-	127	-	-	-	127
Investment in associate	-	-	-	-	-	169	169	-	-	-	-	-	138	138
Deferred tax asset	-	-	-	-	-	4,384	4,384	-	-	-	-	-	4,818	4,818
Other assets	367	402	571	62	-	-	1,402	216	79	1,228	34	-	-	1,557
Total assets	**59,430**	**33,308**	**94,814**	**81,761**	**2,310**	**15,028**	**286,651**	**59,897**	**31,487**	**89,981**	**78,079**	**3,217**	**15,656**	**278,317**
Liabilities														
Debt securities issued	-	-	117	1,314	-	-	1,431	-	59	59	1,390	-	-	1,508
Subordinated debt	1,092	-	1,092	25,180	-	-	27,364	-	-	2,349	26,054	-	-	28,403
Due to banks and other financial institutions	1,428	1,555	3,390	222	-	-	6,595	1,640	346	4,709	778	-	-	7,473
Current accounts and deposits from customers	38,526	28,886	80,859	17,735	-	-	166,006	38,490	11,822	91,112	22,805	-	-	164,229
Negative fair value of derivative instruments	-	-	163	-	-	-	163	-	-	39	-	-	-	39
Current income tax liability	563	-	-	-	-	-	563	-	-	336	-	-	-	336
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	2,136	610	1,771	69	-	-	4,586	1,149	2,784	1,092	202	-	-	5,227
Total liabilities	**43,745**	**31,051**	**87,392**	**44,520**	**-**	**-**	**206,708**	**41,279**	**15,011**	**99,696**	**51,229**	**-**	**-**	**207,215**
Net balance position	**15,685**	**2,257**	**7,422**	**37,241**	**2,310**	**15,028**	**79,943**	**18,618**	**16,476**	**(9,715)**	**26,850**	**3,217**	**15,656**	**71,102**
Irrevocable credit related commitments	2,888	3	-	-	-	-	2,891	3,152	6	-	-	-	-	3,158
Net off-balance position	**2,888**	**3**	**-**	**-**	**-**	**-**	**2,891**	**3,152**	**6**	**-**	**-**	**-**	**-**	**3,158**
Cumulative net position	**12,797**	**15,051**	**22,473**	**59,714**	**62,024**	**77,052**		**15,466**	**31,936**	**22,221**	**49,071**	**52,288**	**67,944**	

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 in the range of 99.2% 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 105.0-107.3% 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 21.0-22.0%. 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 3.7% in EUR, 7.1% in USD, 8.9% in RUB
- 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 0.4% in USD, 9.8% in RUB and 10.0% 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 7.5% in RUB, 0.5-2.4% in USD, 1.1%-2.8% in EUR and 9.1-12.7% 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 31 March 2017:

	Carrying amount	Fair value (Unaudited)			
MRUB	**(Unaudited)**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Loans to customers	170,170	-	-	170,145	170,145
Liabilities					
Debt securities issued	1,212	1,202	-	-	1,202
Subordinated debt	23,110	24,442	-	-	24,442
Current accounts and deposits from customers	158,514	-	158,965	-	158,965

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 2016:

		Fair value			
MRUB	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Loans to customers	170,945	-	-	171,489	171,489
Liabilities					
Debt securities issued	1,257	1,224	-	-	1,224
Subordinated debt	24,279	25,065	-	-	25,065
Current accounts and deposits from customers	155,683	-	156,213	-	156,213

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 31 March 2017 and 31 December 2016 are not materially different from their carrying values.

The table below analyses financial instruments measured at fair value as at 31 March 2017, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	**Level 1**	**Level 2**	**Total**
		(Unaudited)	
Assets			
Financial assets available for sale	19,576	1,645	21,221
Liabilities			
Negative fair value of derivative instruments	-	163	163

The table below analyses financial instruments measured at fair value at 31 December 2016, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	**Level 1**	**Level 2**	**Total**
Assets			
Positive fair value of derivative instruments	-	22	22
Financial assets available for sale	17,734	3,868	21,602
Liabilities			
Negative fair value of derivative instruments	-	39	39

25. Commitments

Credit related commitments

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

	31 Mar 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Credit card commitments	14,812	14,905
POS and cash loan commitments	2,888	3,152
Undrawn overdraft facilities to corporations	3	6
	17,703	**18,063**

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:

	31 Mar 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Less than one year	794	605
Between one and five	1,355	1,375
More than five years	143	149
	2,292	**2,129**

During the three month period ended 31 March 2017 MRUB 260 (three month period ended 31 March 2016: MRUB 271) was recognised as an expense in the condensed consolidated interim financial 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:

(Unaudited)	**3 month period ended 31 Mar 2017 MRUB**	**3 month period ended 31 Mar 2016 MRUB**
Interest income	120	155
Loss from foreign exchange revaluation of financial assets and liabilities	(608)	(1,046)
	(488)	**(891)**

28. Related party transactions (continued)

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

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Placements with banks and other financial institutions	8,520	4,550
	8,520	**4,550**

As at 31 March 2017 placements with banks and other financial institutions shown above included term deposits in the amount of MRUB 8,520 at an effective interest rate of 3.67% in EUR and 7.15% in USD with a maturity more than one year (31 December 2016: MRUB 4,550 at an effective interest rate 7.0% with a maturity from one to two years).

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

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

(Unaudited)	3 month period ended 31 Mar 2017 MRUB	3 month period ended 31 Mar 2016 MRUB
Interest income	-	(94)
Interest expense	(270)	(403)
Fee and commission income	260	305
Gain from foreign exchange revaluation of financial assets and liabilities	1,049	892
Net loss on spot transactions and currency derivatives	-	(242)
Other operating income	128	4
General administrative expenses	(320)	(164)
	847	**298**

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

	31 Mar 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Cash and cash equivalents	560	234
Property, equipment and intangible assets	896	844
Other assets	12	37
Subordinated debt	(9,912)	(10,417)
Due to banks and other financial institutions	(1,102)	(2,567)
Current accounts and deposits from customers	(9)	(142)
Negative fair value of derivative instruments	(163)	(39)
Other liabilities	(65)	(85)
	(9,783)	**(12,135)**

28. Related party transactions (continued)

As at 31 March 2017 due to banks and other financial institutions amounted to MRUB 1,102 at an effective interest rate of 8.9% with the maturity less than one month and from one month to two years (31 December 2016: MRUB 2,567 at an effective interest rate 9.4% with the maturity less than one month and from one month to two years).

As at 31 March 2017 current accounts and deposits from customers included deposits of MRUB 9 with the maturity of less than one month (31 December 2016: other balances of MRUB 142 with the maturity less than one month).

As at 31 March 2016 subordinated debt amounted to MRUB 9,912 at an effective interest rate of 9.6% with the maturity from one year to five years (31 December 2016: MRUB 10,417 at an effective interest rate of 10.2% with the maturity from one year to five years).

(c) Transactions with members of key management

Amounts included in the condensed consolidated interim financial statements of profit or loss in relation to transactions with members of key management (members of the Council and the Board of Management) of MRUB 153 (three month period ended 31 March 2016: MRUB 142) represent compensation and related taxes 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 31 March 2017, 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 2016: 4.5%, 6.0% and 8.0% 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.

29. Capital management (continued)

The calculation of capital adequacy of the Group based on requirements set by the CBR as at 31 March 2017 and 31 December 2016 was as follows:

	31 Mar 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Risk-weighted assets (N20.0)	**410,399**	**413,919**
Risk-weighted assets (N20.1, N20.2)	**410,294**	**413,813**
Core capital	40,124	32,921
Primary capital	40,124	32,921
Additional capital	19,922	23,457
Total capital	**60,046**	**56,378**
Core capital adequacy ratio N20.1	**9.8%**	**8.0%**
Primary capital adequacy ratio N20.2	**9.8%**	**8.0%**
Total capital adequacy ratio N20.0	**14.6%**	**13.6%**

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.

The calculation of capital adequacy based on requirements set by BIS as at 31 March 2017 and 31 December 2016 was as follows:

	31 Mar 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Risk weighted assets	**220,912**	**227,507**
Tier I capital	46,999	43,797
Tier II capital	15,431	17,777
Total capital	**62,430**	**61,574**
Tier I ratio	21.3%	19.3%
Capital Adequacy Ratio	28.3%	27.1%

As at 31 March 2017 and 31 December 2016 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 not analysed individually by the management 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.

(a) Operational segments

MRUB	**POS loans**	**Credit card loans**	**Cash loans**	**Other segments**	**Total**
3 month period ended 31 March 2017 (Unaudited)					
External interest income	2,797	1,325	6,155	957	**11,234**
Fee and commission income	911	477	984	384	**2,756**
Inter segment revenue	-	-	-	3,455	**3,455**
Total revenues	**3,708**	**1,802**	**7,139**	**4,796**	**17,445**
External interest expense	-	-	-	(4,185)	**(4,185)**
Inter segment interest expense	(671)	(499)	(2,255)	-	**(3,425)**
Inter segment other operating expense, net	(7)	(2)	(21)	-	**(30)**
Fee and commission expense	(52)	(151)	(114)	(77)	**(394)**
Other operating expense, net	-	-	-	(14)	**(14)**
Impairment losses	(457)	(118)	(51)	(7)	**(633)**
Total expenses	**(1,187)**	**(770)**	**(2,441)**	**(4,283)**	**(8,681)**
Segment profit	**2,521**	**1,032**	**4,698**	**513**	**8,764**

30. Segment analysis (continued)

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
3 month period ended 31 March 2016 (Unaudited)					
External interest income	2,765	1,798	6,631	931	**12,125**
Fee and commission income	1,131	565	954	297	**2,947**
Inter segment revenue	-	-	-	4,485	**4,485**
Total revenues	**3,896**	**2,363**	**7,585**	**5,713**	**19,557**
External interest expense	-	-	-	(4,947)	**(4,947)**
Inter segment interest expense	(678)	(440)	(2,781)	-	**(3,899)**
Inter segment other operating expenses, net	(100)	(61)	(425)	-	**(586)**
Fee and commission expense	(40)	(207)	(103)	(47)	**(397)**
Other operating expenses, net	-	-	-	(733)	**(733)**
Impairment losses	(1,049)	(1,349)	(2,398)	(140)	**(4,936)**
Total expenses	**(1,867)**	**(2,057)**	**(5,707)**	**(5,867)**	**(15,498)**
Segment profit/(loss)	**2,029**	**306**	**1,878**	**(154)**	**4,059**

Segment assets MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
Carrying amount at 31 March 2017 (Unaudited)	57,529	16,351	90,493	50,669	**215,042**
Carrying amount at 31 December 2016	58,156	16,539	89,774	41,782	**206,251**

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

(Unaudited)	3 month period ended 31 Mar 2017 MRUB	3 month period ended 31 Mar 2016 MRUB
Segment revenues	**17,445**	**19,557**
Inter segment revenue	(3,455)	(4,485)
Unallocated fee and comission income	73	97
Total revenues	**14,063**	**15,169**

30. Segment analysis (continued)

A reconciliation of segment profit to total profit/(loss) before tax is provided as follows:

(Unaudited)	**3 month period ended 31 Mar 2017 MRUB**	**3 month period ended 31 Mar 2016 MRUB**
Segment profit for reportable segments	**8,764**	**4,059**
Unallocated fee and comission income	73	97
Unallocated fee and comission expense	(169)	(145)
Unallocated other operating income	44	104
Unallocated impairment losses	(12)	(12)
General administrative expenses	(4,512)	(4,283)
Profit/(loss) before tax	**4,188**	**(180)**

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

	31 Mar 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Total segment assets	**215,042**	**206,251**
Cash and cash equivalents (excluded from other segments)	11,318	15,654
Placements with banks and other financial institutions (excluded from other segments)	1,281	1,247
Property, equipment and intangible assets	7,684	7,799
Assets classified as held for sale	161	127
Investment in associate	169	138
Deferred tax asset	4,384	4,818
Other assets	1,402	1,557
Total assets	**241,441**	**237,591**

30. Segment analysis (continued)

(b) Geographical segments

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
3 month period ended 31 March 2017 (Unaudited)				
External interest income	9,211	2,023	-	**11,234**
Fee and commission	2,124	705	-	**2,829**
Total revenues	**11,335**	**2,728**	**-**	**14,063**
External interest expense	(3,575)	(610)	-	**(4,185)**
Fee and commission expense	(495)	(68)	-	**(563)**
Other operating income/(expense), net	51	(21)	-	**30**
Impairment losses (charge)/recovery	(710)	65	-	**(645)**
General administrative expenses	(3,567)	(945)	-	**(4,512)**
Total expenses	**(8,296)**	**(1,579)**	**-**	**(9,875)**
Profit before tax	**3,039**	**1,149**	**-**	**4,188**
Income tax expense	(619)	(256)	-	**(875)**
Profit for the period	**2,420**	**893**	**-**	**3,313**

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
3 month period ended 31 March 2016 (Unaudited)				
External interest income	10,343	1,782	-	**12,125**
Fee and commission	2,285	759	-	**3,044**
Inter segment revenue	209	-	(209)	-
Total revenues	**12,837**	**2,541**	**(209)**	**15,169**
External interest expense	(4,700)	(247)	-	**(4,947)**
Inter segment interest expense	-	(209)	209	-
Inter segment other operating expense, net	(107)	(147)	1	**(253)**
Fee and commission expense	(486)	(56)	-	**(542)**
Other operating income/(expense), net	777	46	(1,199)	**(376)**
Impairment losses	(4,623)	(325)	-	**(4,948)**
General administrative expenses	(3,316)	(967)	-	**(4,283)**
Total expenses	**(12,455)**	**(1,905)**	**(989)**	**(15,349)**
Profit/(loss) before tax	**382**	**636**	**(1,198)**	**(180)**
Income tax benefit/(expense)	160	(149)	-	**11**
Profit/(loss) for the period	**542**	**487**	**(1,198)**	**(169)**

30. Segment analysis (continued)

Segment assets

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Carrying amount at 31 March 2017 Unaudited	216,327	26,890	(1,776)	**241,441**
Carrying amount at 31 December 2016	213,327	26,040	(1,776)	**237,591**

31. Subsequent events

In April 2017 the Group declared and paid out dividends of MRUB 4,134 in accordance with the decision of the General Meeting of Members.

HC Finance No.2 (LLC) was liquidated on April 25, 2017.

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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