Home Credit and Finance Bank

Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2017

(unaudited)

Contents

JSC "KPMG"
10 Presnenskaya Naberezhnaya
Moscow, Russia 123112
Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

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

To the Participants and the Council

OOO "Home Credit and Finance Bank"

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of OOO "Home Credit and Finance Bank" (the "Bank") and its subsidiaries (the "Group") as at 30 June 2017, and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Audited entity: OOO "Home Credit and Finance Bank".

Registration number in the Unified State Register of Legal Entities 1027700280937.

Moscow, Russian Federation.

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration number in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No.11603053203.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2017 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other matter

The condensed consolidated interim financial information for the three-month periods ended 30 June 2017 and 30 June 2016 is not reviewed.

Shevarenkov E.V.

Director

JSC "KPMG"

Moscow, Russian Federation

28 August 2017

MRUB	Note	6 month period ended 30 June 2017 (Unaudited)	6 month period ended 30 June 2016 (Unaudited)	3 month period ended 30 June 2017 (Unaudited)	3 month period ended 30 June 2016 (Unaudited)
Interest income	4	22,928	23,587	11,566	11,462
Interest expense	4	(8,330)	(9,462)	(4,145)	(4,515)
Net interest income		**14,598**	**14,125**	**7,421**	**6,947**
Fee and commission income	5	5,924	6,444	3,223	3,400
Fee and commission expense	6	(1,149)	(1,104)	(586)	(562)
Net fee and commission income		**4,775**	**5,340**	**2,637**	**2,838**
Other operating income/(expense), net	7	48	(607)	18	22
Operating income		**19,421**	**18,858**	**10,076**	**9,807**
Impairment losses on loans to customers	8	(1,402)	(7,705)	(769)	(2,769)
Impairment losses on other assets	8	(14)	(12)	(2)	-
General administrative expenses	9	(9,022)	(8,915)	(4,510)	(4,632)
Operating expenses		**(10,438)**	**(16,632)**	**(5,281)**	**(7,401)**
Profit before tax		**8,983**	**2,226**	**4,795**	**2,406**
Income tax expense	10	(1,832)	(481)	(957)	(492)
Profit for the period		**7,151**	**1,745**	**3,838**	**1,914**

The condensed consolidated interim financial statements as set out on pages 5 to 43 were approved by the Board of Management on 28 August 2017.

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

ООО "ХКФ Банк" HCF Bank

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.

MRUB	6 month period ended 30 June 2017 (Unaudited)	6 month period ended 30 June 2016 (Unaudited)	3 month period ended 30 June 2017 (Unaudited)	3 month period ended 30 June 2016 (Unaudited)
Profit for the period, recognised in condensed consolidated interim statement of profit or loss	**7,151**	**1,745**	**3,838**	**1,914**
Other comprehensive income/(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	(202)	(108)	(199)	(138)
- net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	204	251	204	237
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	76	(816)	184	(231)
Other comprehensive income/(loss) for the period, net of tax	**78**	**(710)**	**189**	**(132)**
Total comprehensive income for the period	**7,229**	**1,035**	**4,027**	**1,782**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

ООО "ХКФ Банк" HCF Bank

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 ASSETS	Note	30 June 2017 (Unaudited)	31 Dec 2016
Cash and cash equivalents	11	23,400	23,122
Placements with banks and other financial institutions	12	2,863	7,461
Loans to customers	13	177,440	170,945
Positive fair value of derivative instruments		-	22
Financial assets available for sale (unpledged)		21,945	21,602
Assets classified as held for sale		177	127
Property, equipment and intangible assets	14	7,608	7,799
Investment in associate		67	138
Current income tax receivable		194	-
Deferred tax asset		3,874	4,818
Other assets	15	1,699	1,557
Total assets		**239,267**	**237,591**
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	16	3,134	1,257
Subordinated debt	17	23,649	24,279
Due to banks and other financial institutions	18	5,774	6,973
Current accounts and deposits from customers	19	154,626	155,683
Negative fair value of derivative instruments	20	218	39
Current income tax liabilitiy		118	336
Other liabilities	21	4,856	5,227
Total liabilities		**192,375**	**193,794**
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for financial assets available for sale		11	9
Translation reserve		(880)	(956)
Retained earnings		32,724	29,707
Total equity		**46,892**	**43,797**
Total liabilities and equity		**239,267**	**237,591**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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 2016	**4,406**	**10,631**	**(86)**	**37**	**175**	**24,491**	**39,654**
Profit for the period	-	-	-	-	-	1,745	1,745
Revaluation reserve for financial assets available for sale:							
- net change in fair value, net of tax	-	-	(108)	-	-	-	(108)
- net change in fair value transferred to profit or loss, net of tax	-	-	251	-	-	-	251
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	-	-	-	-	(816)	-	(816)
Total comprehensive income/(loss) for the period	-	-	143	(37)	(816)	1,745	1,035
Dividends paid	-	-	-	-	-	(1,777)	(1,777)
Balance at 30 June 2016 (unaudited)	**4,406**	**10,631**	**57**	**-**	**(641)**	**24,459**	**38,912**

MRUB	**Charter capital**	**Other capital contributions**	**Revaluation reserve for financial assets available for sale**	**Translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2017	**4,406**	**10,631**	**9**	**(956)**	**29,707**	**43,797**
Profit for the period	-	-	-	-	7,151	7,151
Revaluation reserve for financial assets available for sale:						
- net change in fair value, net of tax	-	-	(202)	-	-	(202)
- net change in fair value transferred to profit or loss, net of tax	-	-	204	-	-	204
Effect of foreign currency translation	-	-	-	76	-	76
Total comprehensive income for the period	-	-	2	76	7,151	7,229
Dividends paid	-	-	-	-	(4,134)	(4,134)
Balance at 30 June 2017 (unaudited)	**4,406**	**10,631**	**11**	**(880)**	**32,724**	**46,892**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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.

MRUB	Note	6 month period ended 30 June 2017 (Unaudited)	6 month period ended 30 June 2016 (Unaudited)
Cash flow from operating activities			
Interest received		23,882	24,722
Interest paid		(8,279)	(9,535)
Fees and commissions received		5,863	6,821
Fees and commissions paid		(1,141)	(1,097)
Net receipts from foreign exchange transactions		142	6,407
Other operating income received		44	131
Administrative and other operating expenses paid		(8,489)	(7,387)
Income tax paid		(1,305)	(25)
Cash flows from operating activities before changes in operating assets and liabilities		**10,717**	**20,037**
Changes in operating assets and liabilities			
Net decrease/(increase) in placements with banks and other financial institutions		4,374	(5,339)
Net increase in financial assets available for sale		(660)	(1,554)
Net (increase)/decrease in loans to customers		(8,824)	3,664
Net increase in other assets		(75)	(17)
Net decrease in current accounts and deposits from customers		(1,251)	(22,180)
Net (decrease)/increase in due to banks and other financial institutions		(1,326)	7,579
Net increase in other liabilities		45	253
Net cash from operating activities		**3,000**	**2,443**
Cash flows used in investing activities			
Dividends from associate		138	123
Proceeds from sale of property and equipment		1	5
Acquisition of property, equipment and intangible assets		(639)	(669)
Net cash used in investing activities		**(500)**	**(541)**
Cash flows used in financing activities			
Proceeds from the issue of debt securities		1,809	-
Repayments of debt securities issued		-	(3,000)
Repayments of subordinated debt		-	(2,041)
Dividends paid		(4,134)	(1,777)
Net cash used in financing activities		**(2,325)**	**(6,818)**
Net increase/(decrease) in cash and cash equivalents		175	(4,916)
Effect of exchange rate changes on cash and cash equivalents		103	(1,023)
Cash and cash equivalents at 1 January	11	23,122	33,500
Cash and cash equivalents at 30 June	11	**23,400**	**27,561**

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 June 2017 (Unaudited)	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 (%)	
		30 June 2017 (Unaudited)	31 Dec 2016
Financial Innovations (LLC)	Russian Federation	100.00	100.00
Bank Home Credit (SB JSC)	Kazakhstan	100.00	100.00
Bonus Center Operations (LLC)*	Russian Federation	0	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., 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 June 2017 Bonus Center Operations (LLC) was liquidated.*
*** As at 30 June 2017 HC Finance No.2 (LLC) was liquidated.*

Associate	Country of incorporation	Ownership interest (%)	
		30 June 2017 (Unaudited)	31 Dec 2016
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00

Council

Jiri Smejc	Chairman
Irina Kolikova	Deputy Chairman
Galina Vaisband	Member
Yuly Tai	Member

Board of Management

Yuriy Andresov	Chairman
Dmitri Mosolov	First Deputy Chairman
Artem Aleshkin	Deputy Chairman
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 June 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, 249 standard banking offices, 3,694 loan offices, 78 regional centres, 2 representative offices and over 93 thousand points of sale in the Russian Federation and several Russian post offices. As at 30 June 2017 the ATM network comprised 723 ATMs and payment terminals across the Russian Federation.

As at 30 June 2017 the distribution network in Kazakhstan comprised 41 standard banking offices, 8,490 loan offices and points of sale, 222 Kazakhstan post offices and 410 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 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 conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

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 2016.

(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 June 2017, 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 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 Lease*s* 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.

3. Significant accounting policies (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.

3. Significant accounting policies (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.

The Group has started a formal assessment of potential impact on its condensed consolidated interim financial statements resulting from the application of IFRS 9. However, it is not practicable at the moment to quantitevly estimate the impact that the application of IFRS 9 will have on the Group's condensed consolidated interim financial statements. The Group is currently in the process of analysis of Group methodology and functional specification for the automatised tool for registering SPPI test results. The Group has started the impairment model development based on IFRS 9. First (PDxLGDxEAD) models for all segments except for low default portfolios have been developed by the end of 2016.

The following amended standards :

• Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows);

• Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12 Income Taxes);

• Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-Based Payment).

The Group has not yet analysed the likely impact of these pronouncements on its' consolidated financial

(b) Comparative numbers

The presentation of certain captions relating to fee and commision income was changed as at 30 June 2017 in comparison with 30 June 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:

	6 month period ended 30 June 2016		**6 month period ended 30 June 2016**
	As previously reported MRUB (Unaudited)	**Effect of reclassifi-cations MRUB (Unaudited)**	**As reclassified MRUB (Unaudited)**
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	23,143	444	23,587
Fee and commission income	6,888	(444)	6,444

3. Significant accounting policies (continued)

	3 month period ended 30 June 2016 As previously reported MRUB (Unaudited)	**Effect of reclassifi-cations MRUB (Unaudited)**	**3 month period ended 30 June 2016 As reclassified MRUB (Unaudited)**
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	11,295	167	11,462
Fee and commission income	3,567	(167)	3,400

4. Interest income and interest expense

	6 month period ended 30 June 2017 MRUB (Unaudited)	6 month period ended 30 June 2016 MRUB (Unaudited)	3 month period ended 30 June 2017 MRUB (Unaudited)	3 month period ended 30 June 2016 MRUB (Unaudited)
Interest income				
Loans to individuals	21,141	21,819	10,684	10,526
Financial assets available for sale	793	884	425	392
Placements with banks and other financial institutions	561	663	248	432
Loans to corporations	261	185	143	104
Amounts receivable under reverse repurchase agreements	172	36	66	8
	22,928	**23,587**	**11,566**	**11,462**
Interest expense				
Current accounts and deposits from customers	6,719	7,202	3,327	3,456
Subordinated debt	1,124	1,430	561	649
Due to banks and other financial institutions	401	382	202	228
Debt securities issued	85	405	54	178
Amounts payable under repurchase agreements	1	43	1	4
	8,330	**9,462**	**4,145**	**4,515**

Included within interest income on loans to individuals for six months ended 30 June 2017 is a total of MRUB 785 (six months ended 30 June 2016: MRUB 1,793) accrued on impaired financial assets.

5. Fee and commission income

	6 month period ended 30 June 2017 MRUB (Unaudited)	6 month period ended 30 June 2016 MRUB (Unaudited)	3 month period ended 30 June 2017 MRUB (Unaudited)	3 month period ended 30 June 2016 MRUB (Unaudited)
Insurance agent commissions	3,656	4,029	2,026	2,162
Customer payments processing and account maintenance	696	601	351	315
Contractual penalties from customers	559	854	296	433
Cash operations	483	518	239	259
Fees from retailers	309	169	171	105
Pension agent commissions	131	203	64	88
Other	90	70	76	38
	5,924	**6,444**	**3,223**	**3,400**

6. Fee and commission expense

	6 month period ended 30 June 2017 MRUB (Unaudited)	6 month period ended 30 June 2016 MRUB (Unaudited)	3 month period ended 30 June 2017 MRUB (Unaudited)	3 month period ended 30 June 2016 MRUB (Unaudited)
Payments to the Deposit Insurance Agency	355	291	177	141
Payments processing and account maintenance	318	266	184	131
Cash transactions	245	293	126	139
Customer verification fees	177	148	56	83
State duties	-	46	-	23
Other	54	60	43	45
	1,149	**1,104**	**586**	**562**

7. Other operating income/(expense), net

	Note	6 month period ended 30 June 2017 MRUB (Unaudited)	6 month period ended 30 June 2016 MRUB (Unaudited)	3 month period ended 30 June 2017 MRUB (Unaudited)	3 month period ended 30 June 2016 MRUB (Unaudited)
Share of the profit of associate		67	66	37	32
Gain from foreign exchange revaluation of financial assets and liabilities		40	1,189	(33)	265
Net realised gain on disposal of financial assets available for sale		29	19	15	24
Gain from sale of loans	13	2	-	-	-
Net gain/(loss) on interest rate derivatives		1	9	-	(9)
Net gain on early redemption of subordinated debt		-	207	-	207
Hedging derivatives instruments		-	(78)	-	-
Net loss on spot transactions and currency derivatives		(111)	(2,088)	6	(556)
Other		20	69	(7)	59
		48	**(607)**	**18**	**22**

8. Charge/(recovery) of impairment losses

	6 month period ended 30 June 2017 MRUB (Unaudited)	6 month period ended 30 June 2016 MRUB (Unaudited)	3 month period ended 30 June 2017 MRUB (Unaudited)	3 month period ended 30 June 2016 MRUB (Unaudited)
POS loans	947	2,003	490	954
Credit card loans	337	2,137	219	788
Loans to corporations	252	-	195	-
Mortgage loans	(12)	186	38	44
Cash loans	(122)	3,381	(173)	983
Car loans	-	(2)	-	-
Other assets	14	12	2	-
	1,416	**7,717**	**771**	**2,769**

9. General administrative expenses

	Note	**6 month period ended 30 June 2017 MRUB (Unaudited)**	**6 month period ended 30 June 2016 MRUB (Unaudited)**	**3 month period ended 30 June 2017 MRUB (Unaudited)**	**3 month period ended 30 June 2016 MRUB (Unaudited)**
Personnel related expenses		4,694	4,599	2,376	2,435
Payroll related taxes		1,044	958	503	454
Depreciation and amortisation		857	1,038	418	503
Occupancy	24	521	540	261	269
Information technology		419	383	202	209
Telecommunication and postage		398	368	206	205
Repairs and maintenance		376	307	191	160
Professional services		328	262	159	175
Taxes other than income tax		107	112	50	58
Travel expenses		83	73	42	38
Advertising and marketing		62	110	31	62
Other		133	165	71	64
		9,022	**8,915**	**4,510**	**4,632**

10. Income tax expense

	6 month period ended 30 June 2017 MRUB (Unaudited)	6 month period ended 30 June 2016 MRUB (Unaudited)	3 month period ended 30 June 2017 MRUB (Unaudited)	3 month period ended 30 June 2016 MRUB (Unaudited)
Current tax expense	(888)	(388)	(447)	(208)
Deferred tax expense	(944)	(93)	(510)	(284)
	(1,832)	**(481)**	**(957)**	**(492)**

Reconciliation of effective tax rate

	6 month period ended 30 June 2017 MRUB (Unaudited)	6 month period ended 30 June 2016 MRUB (Unaudited)	3 month period ended 30 June 2017 MRUB (Unaudited)	3 month period ended 30 June 2016 MRUB (Unaudited)
Profit before tax	**8,983**	**2,226**	**4,795**	**2,406**
Income tax using the applicable tax rate (20%)	(1,797)	(445)	(959)	(481)
Net non-deductible costs	(48)	(45)	(11)	(12)
Income taxed at lower tax rates	13	9	13	1
	(1,832)	**(481)**	**(957)**	**(492)**

10. Income tax expense (continued)

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

	6 month period ended 30 June 2017 (Unaudited)			6 month period ended 30 June 2016 (Unaudited)			3 month period ended 30 June 2017 (Unaudited)			3 month period ended 30 June 2016 (Unaudited)		
MRU	**Amount before tax**	**Tax expense**	**Amount net of tax**	**Amount before tax**	**Tax (expense)/ benefit**	**Amount net of tax**	**Amount before tax**	**Tax expense**	**Amount net of tax**	**Amount before tax**	**Tax expense**	**Amount net of tax**
Net change in fair value of financial assets available for sale	3	(1)	2	179	(36)	143	6	(1)	5	124	(25)	99
Cash flow hedge	-	-	-	(46)	9	(37)	-	-	-	-	-	-
	3	**(1)**	**2**	**133**	**(27)**	**106**	**6**	**(1)**	**5**	**124**	**(25)**	**99**

11. Cash and cash equivalents

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Amounts receivable under reverse repurchase agreements	7,963	7,024
Nostro accounts with the CBR	6,779	6,829
Placements with banks and other financial institutions due within one month	3,445	2,950
Cash	3,393	4,429
Placements with the NBRK	1,764	1,890
Nostro accounts with the NBRK	56	-
	23,400	**23,122**

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

12. Placements with banks and other financial institutions

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Placements with MasterCard and VISA	1,581	1,655
Minimum reserve deposit with the CBR	1,115	1,102
Minimum reserve deposit with the NBRK	161	144
Term deposits with banks and other financial institutions due after one month	6	4,560
	2,863	**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 are impaired or past due.

13. Loans to customers

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Cash loans	106,179	97,930
POS loans	56,926	61,667
Credit card loans	18,293	19,644
Loans to corporations	6,027	4,346
Mortgage loans	2,141	2,755
Car loans	1	4
Impairment allowance	(12,127)	(15,401)
	177,440	**170,945**

The Group provides point-of-sale loans ("POS loans") for any purpose including household goods, services and other purposes. Cash loans and credit cards are issued for general purposes.

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

	30 June 2017 (Unaudited)		31 December 2016	
	Size TRUB	Term Months	Size TRUB	Term Months
Cash loans	177.1	47	169.2	47
POS loans	37.8	17	37.2	17

	30 June 2017 (Unaudited)			31 December 2016		
	Min. monthly payment* %	Average credit limit TRUB	Term Months	Min. monthly payment* %	Average credit limit TRUB	Term Months
Credit cards	5%	76	36	5%	73	36

* Minimum monthly payment out of the outstanding principal balance on the respective credit card plus other charges.

As at 30 June 2017 the average loan-to-value ratio for mortgage loans was 54% (31 December 2016: 56%).

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

	30 June 2017 (Unaudited)		31 December 2016	
	NPLs MRUB	Provision coverage %	NPLs MRUB	Provision coverage %
Cash loans	4,152	146	5,479	149
POS loans	2,382	130	2,725	129
Credit card loans	1,693	129	2,305	135
Mortgage loans	519	73	712	68
Car loans	1	100	2	100
Total	**8,747**	**139**	**11,223**	**137**

13. Loans to customers (continued)

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 six month period ended 30 June 2017 the Group did not sell non-performing loans (six month period ended 30 June 2016: none).

During the six month period ended 30 June 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 (six month period ended 30 June 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 30 June 2017 renegotiated gross loans to retail customers amounted to MRUB 4,615 (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 30 June 2017 would be MRUB 1,774 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 six-month period ended 30 June 2017 were as follows:

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Loans to corporations	Total
Balance at 1 January	**8,156**	**3,511**	**3,105**	**485**	**2**	**142**	**15,401**
Net charge/ (recovery)	(122)	947	337	(12)	-	252	1,402
Loans recovered which previously were written off	2,093	414	384	52	-	-	2,943
Write offs	(4,063)	(1,789)	(1,636)	(144)	(1)	-	(7,633)
Effect of foreign currency translation	7	7	-	-	-	-	14
Balance at 30 June (Unaudited)	**6,071**	**3,090**	**2,190**	**381**	**1**	**394**	**12,127**

13. Loans to customers (continued)

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

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Total
Balance at 1 January	**17,604**	**4,606**	**6,839**	**500**	**6**	**29,555**
Net charge	3,381	2,003	2,137	186	(2)	7,705
Loans recovered which previously were written off	1,692	338	374	20	2	2,426
Write offs	(10,755)	(2,898)	(4,897)	(74)	(2)	(18,626)
Effect of foreign currency translation	(178)	(71)	(3)	-	-	(252)
Balance at 30 June (unaudited)	**11,744**	**3,978**	**4,450**	**632**	**4**	**20,808**

14. Property, equipment and intangible assets

(a) Intangible assets

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Cost	7,457	6,928
Accumulated amortisation	(4,716)	(4,073)
Net book value	**2,741**	**2,855**

(b) Property and equipment

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Cost	11,500	11,403
Accumulated depreciation	(6,556)	(6,375)
Impairment losses	(77)	(84)
Net book value	**4,867**	**4,944**

Movements in the impairment allowance were as follows:

	2017 MRUB	2016 MRUB
Balance at 1 January	**(84)**	**(76)**
Amounts related to offices closed	7	52
Balance at 30 June (unaudited)	**(77)**	**(24)**

15. Other assets

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Settlements with suppliers	1,092	955
Taxes other than income tax	394	463
Prepaid expenses	112	83
Accrued income	43	4
Other	61	57
Impairment allowance	(3)	(5)
	1,699	**1,557**

Movements in the impairment allowance are as follows:

	Note	2017 MRUB	2016 MRUB
Balance at 1 January		**(5)**	**(1)**
Net charge	8	(14)	(12)
Write-off		16	10
Effect of foreign currency translation		-	1
Balance at 30 June (unaudited)		**(3)**	**(2)**

16. Debt securities issued

	Maturity	Coupon rate	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Unsecured KZT bond issue 1 of MKZT 6,769	February 2019	Fixed, 9.50%	1,275	1,257
Unsecured KZT bond issue 2 of MKZT 10,000	May 2020	Fixed, 15.00%	1,859	-
			3,134	**1,257**

In February 2014 the Group issued the unsecured KZT denominated bond issue 1 with a fixed coupon rate which is valid until the final maturity.

In May 2017 the Group issued the unsecured KZT denominated bond issue 2 with a fixed coupon rate which is valid until the final maturity.

17. Subordinated debt

	Maturity	Coupon rate	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Loan participation notes issue of MUSD 500	April 2020/ April 2018*	Fixed, 9.38%	13,697	14,061
Loan participation notes issue of MUSD 200	April 2021/ April 2019*	Fixed, 10.50%	9,952	10,218
			23,649	**24,279**

** Early redemption option date / Repayment date*

17. 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 30 June 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. As at 30 June 2017 the Group bought back the loan participation notes with a par value of MUSD 35.

18. Due to banks and other financial institutions

	30 June 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Unsecured loans	5,611	6,697
Secured loans	-	6
Other balances	163	270
	5,774	**6,973**

19. Current accounts and deposits from customers

	30 June 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Retail		
Term deposits	116,196	119,393
Current accounts and demand deposits	32,021	30,039
	148,217	149,432
Corporate		
Term deposits	6,100	5,999
Current accounts and demand deposits	309	252
	6,409	6,251
	154,626	**155,683**

20. Negative fair value of derivative instruments

	30 June 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Trading derivative instruments	218	39
	218	**39**

21. Other liabilities

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Accrued employee compensation	1,916	2,197
Settlements with suppliers	1,389	1,579
Provision for return of insurance fee	628	475
Other taxes payable	465	424
Accrued payments to the Deposits Insurance Agency	169	168
Provision for litigations	49	69
Provision for restructuring	48	51
Other	192	264
	4,856	**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	993	747
Amounts returned	(840)	(655)
Balance at 30 June (unaudited)	**628**	**345**

Movements in the provision for litigations were as follows:

	2017 MRUB	2016 MRUB
Balance at 1 January	**69**	**131**
Net charge	25	74
Amounts paid	(45)	(107)
Balance at 30 June (unaudited)	**49**	**98**

Movements in the provision for restructuring were as follows:

	2017 MRUB	2016 MRUB
Balance at 1 January	**51**	**38**
Amounts related to offices closed	(3)	(29)
Balance at 30 June (unaudited)	**48**	**9**

22. Financial instruments

Liquidity risk

The following table shows assets and liabilities as at 30 June 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. Securities included in financial instruments available-for-sale securities that qualify as collateral for borrowing from the Central Bank of the Russian Federation are shown in the category "Less than 1 month" as management believes they are liquid assets which can be sold quickly or pledged into a repo transaction in response to liquidity needs, if necessary. In accordance with Russian legislation, individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. Based on the past experience management believes term deposits from individuals to be a stable source of funding, thus classifying them in accordance with contractual maturities or expected prolongations. The presentation of liquidity risk has been changed since 2017.

22. Financial instruments (continued)

	30 June 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	23,401	-	-	-	-	-	23,401	23,126	-	-	-	-	-	23,126
Placements with banks and other financial institutions	-	7	1	-	-	2,857	2,865	-	-	11	5,036	-	2,901	7,948
Loans to customers	17,856	31,639	91,301	77,737	2,645	-	221,178	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 (unpledged)	18,964	365	2,552	143	14	-	22,038	17,230	118	4,133	422	-	-	21,903
Assets classified as held for sale	-	-	177	-	-	-	177	-	-	127	-	-	-	127
Property, equipment and intangible assets	-	-	-	-	-	7,608	7,608	-	-	-	-	-	7,799	7,799
Investment in associate	-	-	-	-	-	67	67	-	-	-	-	-	138	138
Current income tax receivable	-	-	194	-	-	-	194	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	3,874	3,874	-	-	-	-	-	4,818	4,818
Other assets	706	627	306	60	-	-	1,699	216	79	1,228	34	-	-	1,557
Total assets	**60,927**	**32,638**	**94,531**	**77,940**	**2,659**	**14,406**	**283,101**	**59,897**	**31,487**	**89,981**	**78,079**	**3,217**	**15,656**	**278,317**
Liabilities														
Debt securities issued	-	59	339	3,742	-	-	4,140	-	59	59	1,390	-	-	1,508
Subordinated debt	-	-	15,757	10,772	-	-	26,529	-	-	2,349	26,054	-	-	28,403
Due to banks and other financial institutions	2,328	1,303	2,227	110	-	-	5,968	1,640	346	4,709	778	-	-	7,473
Current accounts and deposits from customers	37,577	16,305	75,710	32,059	-	-	161,651	33,447	11,822	91,112	27,849	-	-	164,230
Negative fair value of derivative instruments	25	193	-	-	-	-	218	-	-	39	-	-	-	39
Current income tax liability	118	-	-	-	-	-	118	-	-	336	-	-	-	336
Other liabilities	2,132	661	1,950	113	-	-	4,856	1,149	2,784	1,092	202	-	-	5,227
Total liabilities	**42,180**	**18,521**	**95,983**	**46,796**	**-**	**-**	**203,480**	**36,236**	**15,011**	**99,696**	**56,273**	**-**	**-**	**207,216**
Net balance position	**18,747**	**14,117**	**(1,452)**	**31,144**	**2,659**	**14,406**	**79,621**	**23,661**	**16,476**	**(9,715)**	**21,806**	**3,217**	**15,656**	**71,101**
Irrevocable credit related commitments	2,932	-	7	-	-	-	2,939	3,152	6	-	-	-	-	3,158
Net off-balance position	**2,932**	**-**	**7**	**-**	**-**	**-**	**2,939**	**3,152**	**6**	**-**	**-**	**-**	**-**	**3,158**
Cumulative net position	**15,815**	**29,932**	**28,473**	**59,617**	**62,276**	**76,682**		**20,509**	**36,979**	**27,264**	**49,070**	**52,287**	**67,943**	

22. Financial instruments (continued)

Undiscounted cash flow from term deposits from individuals based on contractual maturities was as follows:

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Less than 1 month	15,051	7,775
From 1 to 3 months	15,335	10,216
From 3 to 12 months	70,229	88,017
From 1 to 5 years	22,329	22,803
	122,944	**128,811**

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 99.2-104.6% 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 104.1-107.1% 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%. 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 8.3% 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 0.6% in USD, 9.3% in RUB and 9.5% 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 7.4-9.1% in RUB, 0.1-3.1% in USD, 0.8%-2.5% in EUR and 7.6-12.7% 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.

22. Financial instruments (continued)

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.

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.

22. 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 30 June 2017:

MRUB	Carrying amount (Unaudited)	Fair value (Unaudited) Level 1	Level 2	Level 3	Total
Assets					
Loans to customers	177,440	-	-	178,772	178,772
Liabilities					
Debt securities issued	3,134	-	3,210	-	3,210
Subordinated debt	23,649	24,899	-	-	24,899
Current accounts and deposits	154,626	-	154,946	-	154,946

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:

MRUB	Carrying amount	Fair value 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 30 June 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 30 June 2017, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	Level 1	Level 2 (Unaudited)	Total
Assets			
Financial assets available for sale (unpledged)	18,066	3,879	21,945
Liabilities			
Negative fair value of derivative instruments	-	218	218

22. Financial instruments (continued)

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 (unpledged)	17,734	3,868	21,602
Liabilities			
Negative fair value of derivative instruments	-	39	39

23. 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 June 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Credit card commitments	15,658	14,905
POS and cash loan commitments	2,932	3,152
Undrawn overdraft facilities to corporations	7	6
	18,597	**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.

24. 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 June 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Less than one year	759	605
Between one and five years	1,452	1,375
More than five years	140	149
	2,351	**2,129**

During the six month period ended 30 June 2017 MRUB 521 (six month period ended 30 June 2016: MRUB 540) was recognised as an expense in the condensed consolidated interim statement of profit or loss in respect of operating leases (Note 9).

25. 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.

26. 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:

	6 month period ended 30 June 2017 MRUB (Unaudited)	6 month period ended 30 June 2016 MRUB (Unaudited)
Interest income	264	307
Loss from foreign exchange revaluation of financial assets and liabilities	(167)	(1,556)
	97	**(1,249)**

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

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Placements with banks and other financial institutions	-	4,550
	-	**4,550**

As at 31 December 2016 placements with banks and other financial institutions shown above included term deposits of MRUB 4,550 at an effective interest rate of 8.0% with a maturity from one to two years. As at 30 June 2017: none.

(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:

	6 month period ended 30 June 2017 MRUB (Unaudited)	6 month period ended 30 June 2016 MRUB (Unaudited)
Interest income	-	(103)
Interest expense	(617)	(736)
Fee and commission income	576	595
Gain/(Loss) from foreign exchange revaluation of financial assets and liabilities	303	(140)
Net loss on spot transactions and derivatives	-	(440)
Other operating income	161	6
General administrative expenses	(611)	(411)
	(188)	**(1,229)**

26. 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 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Cash and cash equivalents	1,451	234
Property, equipment and intangible assets	918	844
Other assets	70	37
Subordinated debt	(10,149)	(10,417)
Due to banks and other financial institutions	(2,497)	(2,567)
Current accounts and deposits from customers	(10)	(142)
Negative fair value of derivative instruments	(193)	(39)
Other liabilities	(91)	(85)
	(10,501)	**(12,135)**

As at 30 June 2017 due to banks and other financial institutions amounted to MRUB 2,497 at an effective interest rate of 7.0% with the maturity less than one month and from one month to one year (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 30 June 2017 current accounts and deposits from customers included deposits of MRUB 10 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 30 June 2017 subordinated debt amounted to MRUB 10,149 at an effective interest rate of 10.0% with the maturity from one year to four 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 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 288 (six month period ended 30 June 2016: MRUB 249) represent compensation for the period.

27. 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 June 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.

The calculation of capital adequacy of the Group based on requirements set by the CBR as at 30 June 2017 and 31 December 2016 was as follows:

	30 June 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Risk-weighted assets (N20.0)	**388,824**	**413,919**
Risk-weighted assets (N20.1, N20.2)	**389,616**	**413,813**
Core capital	37,179	32,921
Primary capital	37,179	32,921
Additional capital	20,171	23,457
Total capital	**57,350**	**56,378**
Core capital adequacy ratio N20.1	**9.5%**	**8.0%**
Primary capital adequacy ratio N20.2	**9.5%**	**8.0%**
Total capital adequacy ratio N20.0	**14.7%**	**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.

27. Capital management (continued)

The calculation of capital adequacy based on requirements set by BIS as at 30 June 2017 and 31 December 2016 was as follows:

	30 June 2017 MRUB (Unaudited)	31 Dec 2016 MRUB
Risk weighted assets	**228,513**	**227,507**
Tier I capital	46,892	43,797
Tier II capital	15,014	17,777
Total capital	**61,906**	**61,574**
Tier I ratio	20.5%	19.3%
Capital Adequacy Ratio	27.1%	27.1%

As at 30 June 2017 and 31 December 2016 the Group was fully in compliance with the capital regulations described above.

28. 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.

28. Segment analysis (continued)

(a) Operational segments

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
6 month period ended 30 June 2017 (Unaudited)					
External interest income	5,716	2,626	12,697	1,889	**22,928**
Fee and commission income	1,533	963	2,420	866	**5,782**
Inter segment revenue	-	-	-	7,000	**7,000**
Total revenues	**7,249**	**3,589**	**15,117**	**9,755**	**35,710**
External interest expense	-	-	-	(8,330)	**(8,330)**
Inter segment interest expense	(1,475)	(959)	(4,526)	-	**(6,960)**
Inter segment other operating expense, net	(10)	(1)	(29)	-	**(40)**
Fee and commission expense	(136)	(363)	(334)	(128)	**(961)**
Other operating expense, net	-	-	-	(5)	**(5)**
(Charge)/recovery of impairment losses	(947)	(337)	122	(240)	**(1,402)**
Total expenses	**(2,568)**	**(1,660)**	**(4,767)**	**(8,703)**	**(17,698)**
Segment profit	**4,681**	**1,929**	**10,350**	**1,052**	**18,012**
6 month period ended 30 June 2016 (Unaudited)					
External interest income	5,334	3,427	12,880	1,946	**23,587**
Fee and commission income	2,092	1,097	2,349	697	**6,235**
Inter segment revenue	-	-	-	7,411	**7,411**
Total revenues	**7,426**	**4,524**	**15,229**	**10,054**	**37,233**
External interest expense	-	-	-	(9,462)	**(9,462)**
Inter segment interest expense	(1,170)	(715)	(4,862)	-	**(6,747)**
Inter segment other operating expense, net	(111)	(70)	(483)	-	**(664)**
Fee and commission expense	(118)	(370)	(299)	(119)	**(906)**
Other operating expense, net	-	-	-	(907)	**(907)**
Charge of impairment losses	(2,003)	(2,137)	(3,381)	(184)	**(7,705)**
Total expenses	**(3,402)**	**(3,292)**	**(9,025)**	**(10,672)**	**(26,391)**
Segment profit/(loss)	**4,024**	**1,232**	**6,204**	**(618)**	**10,842**

28. Segment analysis (continued)

Segment assets MRUB	**POS loans**	**Credit card loans**	**Cash loans**	**Other segments**	**Total**
Carrying amount at 30 June 2017 (Unaudited)	53,836	16,103	100,108	40,104	**210,151**
Carrying amount at 31 December 2016	58,156	16,539	89,774	41,783	**206,252**

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

	6 month period ended 30 June 2017 MRUB (Unaudited)	**6 month period ended 30 June 2016 MRUB (Unaudited)**
Segment revenues	**35,710**	**37,233**
Inter segment revenue	(7,000)	(7,411)
Unallocated fee and comission income	142	209
Total revenues	**28,852**	**30,031**

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

	6 month period ended 30 June 2017 MRUB (Unaudited)	**6 month period ended 30 June 2016 MRUB (Unaudited)**
Segment profit for reportable segments	**18,012**	**10,842**
Unallocated fee and comission income	142	209
Unallocated fee and comission expense	(188)	(198)
Unallocated other operating income	53	300
Unallocated impairment losses	(14)	(12)
General administrative expenses	(9,022)	(8,915)
Profit before tax	**8,983**	**2,226**

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

	30 June 2017 MRUB (Unaudited)	**31 Dec 2016 MRUB**
Total segment assets	**210,151**	**206,252**
Cash and cash equivalents (excluded from other segments)	14,221	15,654
Placements with banks and other financial institutions (excluded from other segments)	1,276	1,246
Property, equipment and intangible assets	7,608	7,799
Assets classified as held for sale	177	127
Investment in associate	67	138
Income tax assets	4,068	4,818
Other assets	1,699	1,557
Total assets	**239,267**	**237,591**

28. Segment analysis (continued)

(b) Geographical segments

MRUB 6 month period ended 30 June 2017 (Unaudited)	Russian Federation	Kazakhstan	Eliminations	Total
External interest income	18,480	4,448	-	**22,928**
Fee and commission income	4,636	1,288	-	**5,924**
Total revenues	**23,116**	**5,736**	**-**	**28,852**
External interest expense	(7,065)	(1,265)	-	**(8,330)**
Fee and commission expense	(1,010)	(139)	-	**(1,149)**
Other operating income, net	1,753	(71)	(1,634)	**48**
(Charge)/recovery of impairment losses	(1,596)	180	-	**(1,416)**
General administrative expenses	(7,103)	(1,919)	-	**(9,022)**
Total expenses	**(15,021)**	**(3,214)**	**(1,634)**	**(19,869)**
Profit before tax	**8,095**	**2,522**	**(1,634)**	**8,983**
Income tax expense	(1,299)	(533)	-	**(1,832)**
Profit for the period	**6,796**	**1,989**	**(1,634)**	**7,151**

MRUB 6 month period ended 30 June 2016 (Unaudited)	Russian Federation	Kazakhstan	Eliminations	Total
External interest income	20,068	3,519	-	**23,587**
Fee and commission income	4,810	1,634	-	**6,444**
Inter segment revenue	367	-	(367)	**-**
Total revenues	**25,245**	**5,153**	**(367)**	**30,031**
External interest expense	(8,846)	(616)	-	**(9,462)**
Inter segment interest expense	-	(367)	367	**-**
Inter segment other operating expense, net	(184)	(215)	-	**(399)**
Fee and commission expense	(990)	(114)	-	**(1,104)**
Other operating expense, net	1,448	141	(1,797)	**(208)**
Charge of impairment losses	(7,321)	(396)	-	**(7,717)**
General administrative expenses	(7,007)	(1,908)	-	**(8,915)**
Total expenses	**(22,900)**	**(3,475)**	**(1,430)**	**(27,805)**
Profit before tax	**2,345**	**1,678**	**(1,797)**	**2,226**
Income tax expense	(117)	(364)	-	**(481)**
Profit for the period	**2,228**	**1,314**	**(1,797)**	**1,745**

28. Segment analysis (continued)

Segment assets and liabilities

MRUB	**Russian Federation**	**Kazakhstan**	**Eliminations**	**Total**
30 June 2017 (Unaudited)				
Cash and cash equivalents	20,631	2,769	-	**23,400**
Placements with banks and other financial institutions	2,702	161	-	**2,863**
Loans to customers	152,979	24,461	-	**177,440**
Financial assets available for sale (unpledged)	21,945	-	-	**21,945**
Assets classified as held for sale	177	-	-	**177**
Property, equipment and intangible assets	6,221	1,387	-	**7,608**
Investment in associate	1,843	-	(1,776)	**67**
Current income tax receivable	194	-	-	**194**
Deferred tax asset	3,813	61	-	**3,874**
Other assets	1,162	537	-	**1,699**
Total assets	**211,667**	**29,376**	**(1,776)**	**239,267**
Debt securities issued	-	3,134	-	**3,134**
Subordinated debt	23,649	-	-	**23,649**
Due to banks and other financial institutions	3,149	2,625	-	**5,774**
Current accounts and deposits from customers	139,016	15,610	-	**154,626**
Negative fair value of derivative instruments	25	193	-	**218**
Current income tax liabilitiy	-	118	-	**118**
Other liabilities	4,162	694	-	**4,856**
Total liabilities	**170,001**	**22,374**	**-**	**192,375**

28. Segment analysis (continued)

MRUB	**Russian Federation**	**Kazakhstan**	**Eliminations**	**Total**
31 December 2016				
Cash and cash equivalents	20,282	2,840	-	**23,122**
Placements with banks and other financial institutions	7,317	144	-	**7,461**
Loans to customers	149,567	21,378	-	**170,945**
Positive fair value of derivative instruments	22	-	-	**22**
Financial assets available for sale (unpledged)	21,602	-	-	**21,602**
Assets classified as held for sale	127	-	-	**127**
Property, equipment and intangible assets	6,560	1,239	-	**7,799**
Investment in associate	1,914	-	(1,776)	**138**
Deferred tax asset	4,782	36	-	**4,818**
Other assets	1,154	403	-	**1,557**
Total assets	**213,327**	**26,040**	**(1,776)**	**237,591**
Debt securities issued	-	1,257	-	**1,257**
Subordinated debt	24,279	-	-	**24,279**
Due to banks and other financial institutions	3,290	3,683	-	**6,973**
Current accounts and deposits from customers	142,271	13,412	-	**155,683**
Negative fair value of derivative instruments	-	39	-	**39**
Current income tax liabilitiy	227	109	-	**336**
Other liabilities	4,257	970	-	**5,227**
Total liabilities	**174,324**	**19,470**	**-**	**193,794**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova