Home Credit and Finance Bank

Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2018

(unaudited)

Contents

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 2018, 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 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.

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 2018 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Other matter

The condensed consolidated interim financial information for the three-month periods ended 30 June 2018 and 30 June 2017 is not reviewed.

Shevarenkov E.V.

Director

JSC "KPMG"

Moscow, Russia

28 August 2018

(Unaudited) MRUB	Note	6 month period ended 30 June 2018	6 month period ended 30 June 2017	3 month period ended 30 June 2018	3 month period ended 30 June 2017
Interest income calculated using EIR	4	26,064	22,928	13,120	11,566
Interest expense	4	(8,980)	(8,330)	(4,407)	(4,145)
Net interest income		**17,084**	**14,598**	**8,713**	**7,421**
Fee and commission income	5	5,635	5,924	3,052	3,223
Fee and commission expense	6	(1,917)	(1,149)	(1,024)	(586)
Net fee and commission income		**3,718**	**4,775**	**2,028**	**2,637**
Other operating income, net	7	140	48	47	18
Operating income		**20,942**	**19,421**	**10,788**	**10,076**
Impairment losses	8	(2,314)	(1,416)	(1,255)	(771)
General administrative expenses	9	(10,491)	(9,022)	(5,679)	(4,510)
Operating expenses		**(12,805)**	**(10,438)**	**(6,934)**	**(5,281)**
Profit before tax		**8,137**	**8,983**	**3,854**	**4,795**
Income tax expense	10	(1,624)	(1,832)	(769)	(957)
Profit for the period		**6,513**	**7,151**	**3,085**	**3,838**

The condensed consolidated interim financial statements as set out on pages 5 to 52 were approved by the Board of Management on 28 August 2018.

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.

(Unaudited) **MRUB**	**6 month period ended 30 June 2018**	**6 month period ended 30 June 2017**	**3 month period ended 30 June 2018**	**3 month period ended 30 June 2017**
Profit for the period, recognised in condensed consolidated interim statement of profit or loss	**6,513**	**7,151**	**3,085**	**3,838**
Other comprehensive income/(loss) that is or may be reclassified subsequently to profit or loss				
Revaluation reserve for investment securities:				
- net change in fair value, net of tax	(156)	(202)	(223)	(199)
- net change in fair value transferred to profit or loss, net of tax	(2)	204	14	204
- changes of expected credit loss allowance, net of tax	(50)	-	(49)	-
Effect of foreign currency translation	492	76	179	184
Other comprehensive income/(loss) for the period, net of tax	**284**	**78**	**(79)**	**189**
Total comprehensive income for the period	**6,797**	**7,229**	**3,006**	**4,027**

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 2018 (Unaudited)**	**31 Dec 2017**
Cash and cash equivalents	11	29,132	23,040
Placements with banks and other financial institutions	12	4,320	3,464
Loans to customers	13	223,163	208,249
Positive fair value of derivative instruments		51	-
Investment securities	14	31,649	48,810
Assets classified as held for sale		169	217
Property, equipment and intangible assets	15	7,301	7,160
Investment in associate		91	108
Current income tax receivable		708	516
Deferred tax asset		2,675	3,146
Other assets	16	1,664	1,500
Total assets		**300,923**	**296,210**
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	17	4,081	3,838
Subordinated debt	18	10,065	22,847
Due to banks and other financial institutions	19	14,133	17,148
Current accounts and deposits from customers	20	209,846	192,943
Negative fair value of derivative instruments		166	16
Current income tax liabilitiy		-	106
Other liabilities	21	5,942	6,439
Total liabilities		**244,233**	**243,337**
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for investment securities		(160)	23
Translation reserve		(808)	(1,300)
Retained earnings		42,621	39,113
Total equity		**56,690**	**52,873**
Total liabilities and equity		**300,923**	**296,210**

Chairman of the Board of Management

Y. Andresov

ООО "ХКФ Банк" HCF Bank

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**	**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 declared and paid	-	-	-	-	(4,134)	(4,134)
Balance at 30 June 2017 (unaudited)	**4,406**	**10,631**	**11**	**(880)**	**32,724**	**46,892**

MRUB	**Charter capital**	**Other capital contributions**	**Revaluation reserve for investment securities**	**Translation reserve**	**Retained earnings**	**Total**
Balance at 31 December 2017	**4,406**	**10,631**	**23**	**(1,300)**	**39,113**	**52,873**
Impact of adopting IFRS 9 as at 1 January 2018, net of tax (see Note 3) (unaudited)	-	-	25	-	(1,505)	(1,480)
Restated balance as at 1 January 2018 (unaudited)	**4,406**	**10,631**	**48**	**(1,300)**	**37,608**	**51,393**
Profit for the period	-	-	-	-	6,513	6,513
Revaluation reserve for investment securities:						
- net change in fair value, net of tax	-	-	(156)	-	-	(156)
- net change in fair value transferred to profit or loss, net of tax	-	-	(2)	-	-	(2)
- changes of expected credit loss allowance, net of tax	-	-	(50)	-	-	(50)
Effect of foreign currency translation	-	-	-	492	-	492
Total comprehensive income/(loss) for the period	-	-	(208)	492	6,513	6,797
Dividends declared and paid	-	-	-	-	(1,500)	(1,500)
Balance at 30 June 2018 (unaudited)	**4,406**	**10,631**	**(160)**	**(808)**	**42,621**	**56,690**

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.

(Unaudited) MRUB	Note	6 month period ended 30 June 2018	6 month period ended 30 June 2017
Cash flow from operating activities			
Interest received		27,278	23,882
Interest paid		(9,258)	(8,279)
Fees and commissions received		5,621	5,863
Fees and commissions paid		(2,088)	(1,141)
Net receipts from foreign exchange transactions		451	142
Other operating income received		31	44
Administrative and other operating expenses paid		(9,804)	(8,489)
Income tax paid		(1,128)	(1,305)
Cash flows from operating activities before changes in operating assets and liabilities		**11,103**	**10,717**
Changes in operating assets and liabilities			
Net (increase)/decrease in placements with banks and other financial institutions		(616)	4,374
Net increase in loans to customers		(17,894)	(8,824)
Net decrease/(increase) in investment securities		17,572	(660)
Net decrease/(increase) in other assets		65	(75)
Net increase/(decrease) in current accounts and deposits from customers		15,198	(1,251)
Net decrease in due to banks and other financial institutions		(3,684)	(1,326)
Net (decrease)/increase in other liabilities		(105)	45
Net cash from operating activities		**21,639**	**3,000**
Cash flows used in investing activities			
Dividends from associate		125	138
Proceeds from sale of property and equipment		7	1
Acquisition of property, equipment and intangible assets		(980)	(639)
Net cash used in investing activities		**(848)**	**(500)**
Cash flows used in financing activities			
Proceeds from the issue of debt securities		-	1,809
Repayments of subordinated debt		(14,210)	-
Dividends paid		(1,500)	(4,134)
Net cash used in financing activities		**(15,710)**	**(2,325)**
Net increase in cash and cash equivalents		5,081	175
Effect of exchange rate changes on cash and cash equivalents		1,010	103
Effect of changes in expected credit losses allowance on cash and cash equivalents		1	-
Cash and cash equivalents at 1 January	11	23,040	23,122
Cash and cash equivalents at 30 June	11	**29,132**	**23,400**

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 2018 (Unaudited)	**31 Dec 2017**
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 2018 (Unaudited)	**31 Dec 2017**
Financial Innovations (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
Eurasia Structured Finance No.4 B.V.	The Netherlands	see below	see below

Eurasia Capital S.A., Eurasia Structured Finance No.3 B.V. 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.

Associate	**Country of incorporation**	**Ownership interest (%)**	
		30 June 2018 (Unaudited)	**31 Dec 2017**
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00

Council		**Board of Management**	
Jiri Smejc	Chairman	Yuriy Andresov	Chairman
Irina Kolikova	Deputy Chairman	Artem Aleshkin	Deputy Chairman
Galina Vaisband	Member	Aleksandr Antonenko	Deputy Chairman
Yuly Tai	Member	Martin Schaffer	Deputy Chairman
		Sergey Shcherbakov	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 2018 the Bank's distribution network comprised the head office in Moscow and 6 branches in Ufa, Rostov-on-Don, Yekaterinburg, Novosibirsk, Khabarovsk, Nizhniy Novgorod, 230 standard banking offices, 3,502 loan offices, 78 regional centres, 2 representative offices and over 104 thousand points of sale in the Russian Federation and several Russian post offices. As at 30 June 2018 the ATM network comprised 694 ATMs and payment terminals across the Russian Federation.

As at 30 June 2018 the distribution network in Kazakhstan comprised 41 standard banking offices, 9,144 loan offices and points of sale, 252 Kazakhstan post offices and 492 ATMs and payment terminals across the country.

2. Basis of preparation

(a) Statement of compliance

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 2017, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

(b) 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 financial assets at FVOCI are measured at fair value. Non-financial assets and liabilities are valued 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 2017.

(c) 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)

(d) 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.

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 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.

(e) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas where estimates and judgments have the most significant impact are recognition of deferred tax asset and measurement of impairment. In particular, information about significant areas of estimation, uncertainty and critical judgments made by management in preparing these condensed consolidated interim financial statements is described in Note 3(a)(v) and Note 13.

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 2017, except as explained below, related to the Group`s adoption of IFRS 9 and IFRS 15, which is applicable from 1 January 2018.

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

3. Significant accounting policies (continued)

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(a) Changes in accounting policies and presentation since 1 January 2018

The following revised standard and annual improvements to IFRSs effective from 1 January 2018 are mandatory and relevant for the Group and have been applied by the Group since 1 January 2018.

IFRS 9 Financial Instruments (effective from 1 January 2018)

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued "Prepayment Features with Negative Compensation" (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018 and early adopted amendments. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 "Financial Instruments: Disclosures". Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail below.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves and retained earnings:

(Unaudited)	**MRUB**
Revaluation reserve	
Recognition of expected credit losses on investment securities under IFRS 9	(31)
Related tax	6
Impact at 1 January 2018	**(25)**
Expected credit losses	
Recognition of expected credit losses under IFRS 9	(1,847)
Related tax	367
Impact at 1 January 2018	**(1,480)**

3. Significant accounting policies (continued)

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

MRUB (unaudited)	**IAS 39 Measurement category**	**Carrying**	**IFRS 9 Measurement category**	**Carrying**
Financial assets				
Cash and cash equivalents	Loans and receivables	23,040	Amortised cost	23,039
Placements with banks and other financial institutions	Loans and receivables	3,464	Amortised cost	3,458
Loans to customers	Loans and receivables	208,249	Amortised cost	206,425
Investment securities	Available-for-sale	48,810	FVOCI	48,810
Other assets	Loans and receivables	1,500	Amortised cost	1,499

Neither the classification nor the measurement of Financial liabilities were affected by the adoption of IFRS 9 compared to classification and measurement as they were under IAS 39.

(ii) Reconciliation of statement of financial position balances form IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Please refer to Note 3(a)(iv) for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

MRUB (unaudited)	**IAS 39 carrying amount at 31 December 2017**	**Remeasurement: change of ECL**	**IFRS 9 carrying amount at 1 January 2018**
Financial assets			
Amortised cost			
Cash and cash equivalents:			
Opening balance under IAS 39	23,040		
Remeasurement: ECL allowance		(1)	
Closing balance under IFRS 9			23,039
Placements with banks and other financial institutions			
Opening balance under IAS 39	3,464		
Remeasurement: ECL allowance		(6)	
Closing balance under IFRS 9			3,458
Loans to customers:			
Opening balance under IAS 39	208,249		
Remeasurement: ECL allowance		(1,824)	
Closing balance under IFRS 9			206,425
Other assets			
Opening balance under IAS 39	1,500		
Remeasurement: ECL allowance		(1)	
Closing balance under IFRS 9			1,499
Total financial assets measured at amortised cost	**236,253**	**(1,832)**	**234,421**

3. Significant accounting policies (continued)

MRUB (unaudited)	IAS 39 carrying amount at 31 December 2017	Reclassification	IFRS 9 carrying amount at 1 January 2018
Fair value through other comprehensive income (FVOCI)			
Available-for-sale			
Opening balance under IAS 39	48,810	-	-
Reclassification to "Investment securities (IFRS 9)"	-	(48,810)	-
Investment securities			
Reclassification from "Financial assets available for sale (IAS 39)"		48,810	-
Closing balance under IFRS 9	-	-	48,810
Total investment securities	**48,810**	**-**	**48,810**

(iii) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period’s closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model at 1 January 2018:

MRUB (unaudited) Measurement category	Loss allowance under IAS 39/ Provision under IAS 37	Remeasurement	Expected credit losses under IFRS 9
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)			
Cash and cash equivalents	-	1	**1**
Placements with banks and other financial institutions	-	6	**6**
Loans to customers	10,518	1,824	**12,342**
Other assets	7	1	**8**
	10,525	**1,832**	**12,357**
AFS (IAS 39)/Financial assets at FVOCI (IFRS 9)			
Investment securities	-	31	**31**
	-	**31**	**31**
Loans commitments and financial guarantee			
Provisions for credit losses from loan commitments	-	15	**15**
	-	**15**	**15**
TOTAL	**10,525**	**1,878**	**12,403**

3. Significant accounting policies (continued)

Financial assets and liabilities

(iv) Classification and measurement

Policy applicable since 1 January 2018

Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics (SPPI criterion).

IFRS 9 includes 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). It eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

-it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
-it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by- investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition. See (i) for the transition requirements relating to classification of financial assets.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Group made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that will be considered includes:

-the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
-how the performance of the portfolio is evaluated and reported to the Group’s management;
-the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
-how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

3. Significant accounting policies (continued)

-the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI criterion)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group will consider:

-contingent events that would change the amount and timing of cash flows;
-leverage features;
-prepayment and extension terms;
-terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
-features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

All of the Group's retail loans and certain fixed-rate corporate loans contain prepayment features.
A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The Group should reclassify financial assets if the Group changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Group's senior management as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. Accordingly, a change in the Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group has acquired, disposed of or terminated a business line.

Financial liabilities are not reclassified subsequent to their initial recognition.

Financial liabilities

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

However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

3. Significant accounting policies (continued)

-the amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI; and
-the remaining amount of the change in the fair value will be presented in profit or loss.

(v) Identification and measurement of impairment

Policy applicable since 1 January 2018

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" model. This model is forward-looking and it eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Consequently, more timely information is required to be provided about expected credit losses.

Under IAS 39, an entity may only consider losses that arise from past events and current conditions. The effects of possible future credit loss events could not be considered, even when they were expected. IFRS 9 broadens the information that an entity may consider when determining its ECLs. Specifically, IFRS 9 allows an entity to base its measurement of ECLs on reasonable and supportable information that is available without undue cost or effort, and that includes historical, current and forecast information.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:
-financial assets that are debt instruments;
-lease receivables; and
-loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

Under IFRS 9, no impairment loss is recognised on equity investments.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

In accordance with IFRS 9, the Group recognises loss allowances at an amount equal to lifetime ECLs for a financial instrument, if the credit risk on that financial instrument has increased significantly since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and is measured as follows:
-financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
-financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
-undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive from this commitment; and
-financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

3. Significant accounting policies (continued)

Definition of default

Under IFRS 9, the Group considers a financial asset to be in default when there is available information that:
-the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
-the borrower is more than 90 days past due on the respective significant credit obligation to the Group. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:
-qualitative: e.g. breaches of covenant;
-quantitative: e.g. overdue status; and
-based on data developed internally and obtained from external sources (e.g. insolvency or bankruptcy loan registers).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Group uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Credit risk grades and client’s score are primary inputs into the determination of the probability of default (PD) development for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction, by type of product and borrower and by credit risk grading.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis consisting - based on availability and complexity - of the Group’s historical experience, expert credit assessment and forward-looking information.

The criteria may vary by portfolio and include a backstop based on delinquency in accordance with IFRS 9. As a backstop, and as required by IFRS 9, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment – subject to materiality threshold – has not been received.

The Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:
-the remaining lifetime probability of default (PD) as at the reporting date; with
-the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure adjusted where relevant for changes in prepayment expectation.

3. Significant accounting policies (continued)

The Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition if the remaining PD is determined to have increased more than is defined for respective risk grade – since initial recognition.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. credit cards and overdrafts), the date when the facility was firstly used could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis.

The Group monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that results of assessment are compliant with IFRS 9 and internal guidelines and settings.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified loans are substantially different. If the cash flows are substantially different (referred to as "substantial modification"), then the contractual rights to cash flows from the existing loans are deemed to have expired. In this case, the existing loans are derecognised and a new loans are recognised at fair value.

Under IFRS 9, when the terms of a financial asset are modified due to borrowers financial difficulties and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly should reflect comparison of:
-the remaining lifetime PD at the reporting date based on the modified terms; with
-the remaining PD estimated based on data on initial recognition and terms of the original contract.

The Group renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are – in general – the following variables:
-PD;
-loss given default (LGD); and
-exposure at default (EAD).

These parameters are derived – alone or together – from internally developed statistical models based on own historical data or derived from available market data.

3. Significant accounting policies (continued)

For retail portfolio PD and EAD is usually estimated together using statistical models (stochastic Markov chain, Gross Roll Rate model) based on internally compiled data. Where it is available, market data may also be used to derive the PD for large corporate counterparties where there is not enough internally available data for statistical modelling.

LGD is estimated based on the history of recovery rates of claims against defaulted counterparties. It is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. For loans secured by retail property, loan-to-value (LTV) ratios are likely to be a key parameter in determining LGD and models will consider the structure, collateral, seniority of the claim, and recovery costs of any collateral that is integral to the financial asset.

For retail overdraft and credit card facilities and certain corporate revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECLs over a period when the Group's ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:
-instrument type;
-credit risk;
-collateral type;
-date of initial recognition;
-remaining term to maturity.

The groupings is subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

MRUB (unaudited)		**External benchmarks used**	
Exposure as at 30 June 2018		**PD**	**LGD**
Placements with banks and other financial institutions	4,320	Moody's default study	Expert valuation
Investment securities	31,649	Moody's default study	Expert valuation
Loans to corporations	2,882	Moody's default study	Expert valuation
Other assets	1,664	Moody's default study	Expert valuation

Forward-looking information

Under IFRS 9, the Group incorporates forward-looking information into assessment of whether the credit risk of an instrument has increased significantly since initial recognition and – where possible – as part of measurement of ECLs. External information used may include economic data and forecasts published by governmental bodies and monetary authorities.

The Group uses – based on data availability and credibility of sources – an analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses. The key drivers may include variables such as interest rates, unemployment rates, GDP forecasts and other.

3. Significant accounting policies (continued)

(vi) Hedge accounting

<u>Policy applicable since 1 January 2018</u>

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting.

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9.

IFRS 15 Revenue from contracts with customers

The Group has applied IFRS 15 at 1 January 2018. Given the nature of the Group's operations, this standard has immaterial impact on the Group's financial statements.

(b) Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments to standards and interpretations were not yet effective as of 30 June 2018 and have not been applied in preparing these condensed consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its financial statements.

<u>IFRS 16 Leases</u> (effective from 1 January 2019)

In January 2016 IASB issued a new Standard on leases. The standard requires companies to bring most leases on-balance sheet, recognising new assets and liabilities. IFRS 16 eliminates the classification of leases as either operating or finance for lessees and, instead, introduces a single lessee accounting model. This model reflects that leases result in a company obtaining the right to use an asset (the "lease asset") at the start of the lease and, because most lease payments are made over time, also obtaining financing.

As a result, the new Standard requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying IAS 17. IFRS 16 includes two exemptions from recognising assets and liabilities for (a) short-term leases (i.e. leases of 12 months or less) and (b) leases of low-value items (such as personal computers).

Applying IFRS 16, a lessee will:
-recognise lease assets (as a separate line item or together with property, plant and equipment) and lease liabilities in the balance sheet;
-recognise depreciation of lease assets and interest on lease liabilities in the income statement; and
-present the amount of cash paid for the principal portion of the lease liability within financing activities, and the amount paid for the interest portion within either operating or financing activities, in the cash flow statement.

4. Interest income and interest expense

(Unaudited) MRUB	6 month period ended 30 June 2018	6 month period ended 30 June 2017	3 month period ended 30 June 2018	3 month period ended 30 June 2017
Interest income calculated using EIR				
Loans to individuals	24,303	21,141	12,304	10,684
Investment securities	1,237	793	507	425
Amounts receivable under reverse repurchase agreements	218	172	138	66
Placements with banks and other financial institutions	164	561	100	248
Loans to corporations	142	261	71	143
	26,064	**22,928**	**13,120**	**11,566**
Interest expense				
Current accounts and deposits from customers	7,344	6,719	3,714	3,327
Subordinated debt	873	1,124	330	561
Due to banks and other financial institutions	357	401	164	202
Debt securities issued	259	85	134	54
Amounts payable under repurchase agreements	147	1	65	1
	8,980	**8,330**	**4,407**	**4,145**

5. Fee and commission income

(Unaudited) **MRUB**	**6 month period ended 30 June 2018**	**6 month period ended 30 June 2017**	**3 month period ended 30 June 2018**	**3 month period ended 30 June 2017**
Insurance agent commissions	2,951	3,656	1,684	2,026
Customer payments processing and account maintenance	757	696	388	351
Cash operations	750	483	394	239
Contractual penalties from customers	661	559	355	296
Fees from retailers	373	309	162	171
Pension agent commissions	29	131	-	64
Other	114	90	69	76
	5,635	**5,924**	**3,052**	**3,223**

6. Fee and commission expense

(Unaudited) **MRUB**	**6 month period ended 30 June 2018**	**6 month period ended 30 June 2017**	**3 month period ended 30 June 2018**	**3 month period ended 30 June 2017**
Cash transactions	570	245	268	126
Payments to the Deposit Insurance Agency	559	355	284	177
Payments processing and account maintenance	322	318	183	184
Customer verification fees	265	177	149	56
State duties	105	-	66	-
Other	96	54	74	43
	1,917	**1,149**	**1,024**	**586**

7. Other operating income, net

(Unaudited) MRUB	Note	6 month period ended 30 June 2018	6 month period ended 30 June 2017	3 month period ended 30 June 2018	3 month period ended 30 June 2017
Net gain/(loss) on spot transactions and currency derivatives		346	(111)	510	6
Net realised gain on disposal of investment securities		164	29	24	15
Share of the profit of associate		108	67	57	37
Net gain on early redemption of subordinated debt		21	-	42	-
(Loss)/gain from foreign exchange revaluation of financial assets and liabilities		(487)	40	(560)	(33)
Gain from sale of loans	13	-	2	-	-
Net gain on interest rate derivatives		-	1	-	-
Other		(12)	20	(26)	(7)
		140	**48**	**47**	**18**

8. Charge of/(reversal for) impairment losses

(Unaudited) MRUB	Note	6 month period ended 30 June 2018	6 month period ended 30 June 2017	3 month period ended 30 June 2018	3 month period ended 30 June 2017
POS loans	13	1,056	947	496	490
Cash loans	13	658	(122)	317	(173)
Loans to corporations	13	406	252	338	195
Credit card loans	13	151	337	25	219
Investment securities	14	62	-	63	-
Credit losses from loan commitments	21	8	-	6	-
Car loans		(1)	-	(1)	-
Cash and cash equivalents		(1)	-	-	-
Placements with banks and other financial institutions		(6)	-	(3)	-
Mortgage loans	13	(53)	(12)	-	38
Other assets	16	34	14	14	2
		2,314	**1,416**	**1,255**	**771**

9. General administrative expenses

(Unaudited) MRUB	Note	6 month period ended 30 June 2018	6 month period ended 30 June 2017	3 month period ended 30 June 2018	3 month period ended 30 June 2017
Personnel related expenses		5,137	4,694	2,704	2,376
Payroll related taxes		1,127	1,044	560	503
Depreciation and amortisation		839	857	426	418
Advertising and marketing		641	62	495	31
Occupancy	24	539	521	275	261
Information technology		476	419	233	202
Professional services		472	328	291	159
Telecommunication and postage		439	398	253	206
Repairs and maintenance		409	376	211	191
Taxes other than income tax		129	107	78	50
Travel expenses		94	83	52	42
Other		189	133	101	71
		10,491	**9,022**	**5,679**	**4,510**

10. Income tax expense

(Unaudited) **MRUB**	**6 month period ended 30 June 2018**	**6 month period ended 30 June 2017**	**3 month period ended 30 June 2018**	**3 month period ended 30 June 2017**
Current tax expense	(838)	(888)	(455)	(447)
Deferred tax expense	(786)	(944)	(314)	(510)
	(1,624)	**(1,832)**	**(769)**	**(957)**

Reconciliation of effective tax rate

(Unaudited) **MRUB**	**6 month period ended 30 June 2018**	**6 month period ended 30 June 2017**	**3 month period ended 30 June 2018**	**3 month period ended 30 June 2017**
Profit before tax	**8,137**	**8,983**	**3,854**	**4,795**
Income tax using the applicable tax rate (20%)	(1,627)	(1,797)	(770)	(959)
Net non-deductible costs	(51)	(48)	(27)	(11)
Income taxed at lower tax rates	54	13	28	13
	(1,624)	**(1,832)**	**(769)**	**(957)**

10. Income tax expense (continued)

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

(Unaudited) MRUB	**6 month period ended 30 June 2018** Amount before tax	Tax benefit	Amount net of tax	**6 month period ended 30 June 2017** Amount before tax	Tax expense	Amount net of tax	**3 month period ended 30 June 2018** Amount before tax	Tax benefit	Amount net of tax	**3 month period ended 30 June 2017** Amount before tax	Tax expense	Amount net of tax
Net change in fair value of investment securities	(260)	52	(208)	3	(1)	2	(323)	65	(258)	6	(1)	5
	(260)	**52**	**(208)**	**3**	**(1)**	**2**	**(323)**	**65**	**(258)**	**6**	**(1)**	**5**

11. Cash and cash equivalents

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Amounts receivable under reverse repurchase agreements	9,970	9,007
Nostro accounts with the CBR	4,594	6,320
Placements with banks and other financial institutions due within one month	10,782	1,562
Cash	2,823	4,822
Placements with the NBRK	200	416
Nostro accounts with the NBRK	763	913
	29,132	**23,040**

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

As at 30 June 2018 amounts receivable under reverse repurchase agreements are represented by counterparties with Moody's rating from Baa3 to Ba3.

As at 30 June 2018 placements with banks and other financial institutions due within one month are represented by counterparties with Moody's rating from Baa1 to Ba3.

All cash and cash equivalent balances are classified in 12-month ECL category.

No cash and cash equivalents are credit-impaired or past due.

12. Placements with banks and other financial institutions

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Placements with MasterCard, VISA and MIR	2,306	1,824
Minimum reserve deposit with the CBR	1,408	1,328
Minimum reserve deposit with the NBRK	495	312
Term deposits with banks and other financial institutions due after one month	111	-
	4,320	**3,464**

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, VISA and MIR are security deposits whose withdrawability is restricted.

All placements with banks and other financial institutions are classified in 12-month ECL category.

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

13. Loans to customers

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Cash loans	138,862	120,854
POS loans	72,844	74,731
Credit card loans	18,107	17,382
Loans to corporations	4,000	3,880
Mortgage loans	1,667	1,920
Expected credit loss allowance	(12,317)	(10,518)
	223,163	**208,249**

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 sets out information about the credit quality of loans to customers measured at amortised cost for the six month period ended 30 June 2018:

	30 June 2018 (unaudited)			
MRUB	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Cash loans				
Not overdue	114,293	14,777	-	129,070
Overdue less than 30	1,129	2,770	-	3,899
Overdue 31-90 days	-	1,831	-	1,831
Overdue 91-360 days	-	-	4,062	4,062
Total gross portfolio	**115,422**	**19,378**	**4,062**	**138,862**
Expected credit losses	**(1,678)**	**(1,724)**	**(3,011)**	**(6,413)**
Carrying amount	**113,744**	**17,654**	**1,051**	**132,449**

	30 June 2018 (unaudited)			
MRUB	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
POS loans				
Not overdue	63,912	3,649	-	67,561
Overdue less than 30	843	901	-	1,744
Overdue 31-90 days	-	1,012	-	1,012
Overdue 91-360 days	-	-	2,527	2,527
Total gross portfolio	**64,755**	**5,562**	**2,527**	**72,844**
Expected credit losses	**(952)**	**(652)**	**(1,917)**	**(3,521)**
Carrying amount	**63,803**	**4,910**	**610**	**69,323**

	30 June 2018 (unaudited)			
MRUB	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Credit card loans				
Not overdue	15,572	25	-	15,597
Overdue less than 30	883	4	-	887
Overdue 31-90 days	-	391	-	391
Overdue 91-360 days	-	-	1,232	1,232
Total gross portfolio	**16,455**	**420**	**1,232**	**18,107**
Expected credit losses	**(133)**	**(267)**	**(926)**	**(1,326)**
Carrying amount	**16,322**	**153**	**306**	**16,781**

13. Loans to customers (continued)

	30 June 2018 (unaudited)			
MRUB	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Loans to corporations				
Not overdue	2,885	-	-	2,885
Overdue less than 30	-	-	-	-
Overdue 31-90 days	-	-	-	-
Overdue 91-360 days	-	-	1,115	1,115
Total gross portfolio	**2,885**	**-**	**1,115**	**4,000**
Expected credit losses	**(3)**	**-**	**(834)**	**(837)**
Carrying amount	**2,882**	**-**	**281**	**3,163**

	30 June 2018 (unaudited)			
MRUB	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Mortgage loans				
Not overdue	1,331	-	-	1,331
Overdue less than 30	14	-	-	14
Overdue 31-90 days	-	29	-	29
Overdue 91-360 days	-	-	133	133
Overdue more than 360	-	-	160	160
Total gross portfolio	**1,345**	**29**	**293**	**1,667**
Expected credit losses	**(30)**	**(9)**	**(181)**	**(220)**
Carrying amount	**1,315**	**20**	**112**	**1,447**

The following table sets out information about the credit quality of loans to customers measured at amortised cost in accordance with IAS 39 requirements as at 31 December 2017:

	31 December 2017		
MRUB	**Gross**	**Impairment allowance**	**Carrying amount**
Loans to individuals			
Cash loans			
Not overdue	112,354	(421)	111,933
Overdue less than 90 days	4,621	(1,428)	3,193
Overdue 91-360 days	3,879	(3,196)	683
Total	**120,854**	**(5,045)**	**115,809**
POS loans			
Not overdue	69,944	(314)	69,630
Overdue less than 90 days	2,318	(660)	1,658
Overdue 91-360 days	2,469	(2,032)	437
Total	**74,731**	**(3,006)**	**71,725**
Credit card loans			
Not overdue	14,789	(126)	14,663
Overdue less than 90 days	1,179	(461)	718
Overdue 91-360 days	1,414	(1,160)	254
Total	**17,382**	**(1,747)**	**15,635**

13. Loans to customers (continued)

	31 December 2017		
MRUB	**Gross**	**Impairment allowance**	**Carrying amount**
Loans to individuals			
Mortgage loans			
Not overdue	1,495	(30)	1,465
Overdue less than 90 days	36	(10)	26
Overdue 91-360 days	183	(90)	93
Overdue more than 360 days	206	(161)	45
Total	**1,920**	**(291)**	**1,629**
Loans to corporations			
Not past due	3,067	-	3,067
Not past due, but impaired	813	(429)	384
Total	**3,880**	**(429)**	**3,451**

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

	30 June 2018 (Unaudited)		**31 December 2017**	
	Size TRUB	**Term Months**	**Size TRUB**	**Term Months**
Cash loans	193.9	47	183.4	47
POS loans	39.5	19	38.0	18

	30 June 2018 (Unaudited)			**31 December 2017**		
	Min. monthly payment*	**Average credit limit**	**Term**	**Min. monthly payment***	**Average credit limit**	**Term**
	%	**TRUB**	**Months**	**%**	**TRUB**	**Months**
Credit cards	5%	76	60	5%	66	60

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

As at 30 June 2018 the average loan-to-value ratio for mortgage loans was 48% (31 December 2017: 52%).

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

	30 June 2018 (Unaudited)		**31 December 2017**	
	NPLs MRUB	**Provision coverage %**	**NPLs MRUB**	**Provision coverage %**
Cash loans	4,062	158	3,879	130
POS loans	2,527	139	2,469	122
Credit card loans	1,232	108	1,414	124
Mortgage loans	293	75	389	75
Loans to corporations	1,115	75	-	-
Total	**9,229**	**133**	**8,151**	**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. Since 1 January 2018 NPL includes loans in stage lifetime ECL credit-impaired.

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. During six month period ended 30 June 2018 - none (Note 7).

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 2018 renegotiated gross loans to retail customers amounted to MRUB 3,829 (31 December 2017: MRUB 4,269).

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 2018 would be MRUB 2,232 lower/higher (31 December 2017: MRUB 2,082).

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 2018 were as follows:

MRUB	**Cash loans**	**POS loans**	**Credit card loans**	**Mortgage loans**	**Loans to corporations**	**Total**
Balance at 1 January	**5,045**	**3,006**	**1,747**	**291**	**429**	**10,518**
Impact of adopting IFRS 9	1,415	555	(148)	-	2	1,824
Net remeasurement of loss allowance	1,468	1,132	495	43	406	3,543
New financial assets originated	912	892	20	1	-	1,825
Financial assets that have been derecognised	(2,577)	(1,255)	(496)	(90)	-	(4,418)
Loans recovered which previously were written off	1,591	428	399	84	-	2,502
Write offs	(2,338)	(1,570)	(826)	(102)	-	(4,836)
Changes in risk parameters	855	287	132	(7)	-	1,267
Effect of foreign currency translation	43	46	3	-	-	92
Balance at 30 June (unaudited)	**6,413**	**3,521**	**1,326**	**220**	**837**	**12,317**

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 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**

14. Investment securities

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Quoted debt securities		
Corporate bonds	22,352	31,236
Government bonds	8,799	17,574
Other	498	-
	31,649	**48,810**

Investments securities are measured at FVOCI. As at 30 June 2018 expected credit loss allowance for investment securities of MRUB 31,364 is measured at an amount equal to 12-month ECL and expected credit loss allowance for investment securities of MRUB 285 is measured at an amount equal to lifetime ECL not credit-impaired.

The following table shows reconciliation from the opening to the closing balances of the expected credit loss allowance:

(Unaudited)
MRUB

Investment securities	2018
Balance at 1 January	**31**
Net remeasurement of loss allowance	(10)
New financial assets purchased	88
Financial assets that have been derecognised	(15)
Balance at 30 June	**94**

15. Property, equipment and intangible assets

(a) Intangible assets

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Cost	8,489	7,741
Accumulated amortisation	(5,689)	(5,059)
Net book value	**2,800**	**2,682**

(b) Property and equipment

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Cost	11,055	11,042
Accumulated depreciation	(6,486)	(6,495)
Impairment losses	(68)	(69)
Net book value	**4,501**	**4,478**

Movements in the impairment allowance were as follows:

MRUB	2018	2017
Balance at 1 January	**69**	**84**
Amounts related to offices closed	(1)	(7)
Balance at 30 June (unaudited)	**68**	**77**

16. Other assets

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Settlements with suppliers	931	971
Taxes other than income tax	447	306
Prepaid expenses	110	94
Accrued income	59	29
Other	123	107
Expected credit losses allowance	(6)	(7)
	1,664	**1,500**

As at 30 June 2018 the impairment allowances for other assets are measured at an amount equal to 12-month ECL.

Movements in the impairment allowance are as follows:

MRUB	Note	2018	2017
Balance at 31 December		**7**	**5**
Impact of adopting IFRS 9 as at 1 January, net of tax (see Note 3)		1	-
Restated balance as at 1 January (unaudited)		**8**	**5**
Net charge	8	34	14
Write-off		(36)	(16)
Balance at 30 June (unaudited)		**6**	**3**

17. Debt securities issued

MRUB	Maturity	Coupon rate	30 June 2018 (Unaudited)	31 Dec 2017
Unsecured KZT bond issue 2 of MKZT 10,000	May 2020	Fixed, 15.00%	1,862	1,753
Unsecured KZT bond issue 1 of MKZT 6,769	February 2019	Fixed, 9.50%	1,284	1,206
Unsecured KZT bond issue 3 of MKZT 5,000	October 2019	Fixed, 12.50%	935	879
			4,081	**3,838**

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

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

In October 2017 the Group issued the unsecured KZT denominated bonds (issue 3) with a fixed coupon rate which is valid until the final maturity.

18. Subordinated debt

MRUB	Maturity	Coupon rate	30 June 2018 (Unaudited)	31 Dec 2017
Loan participation notes issue of MUSD 500	April 2020/ April 2018*	Fixed, 9.38%	-	13,138
Loan participation notes issue of MUSD 200	April 2021/ April 2019*	Fixed, 10.50%	10,065	9,709
			10,065	**22,847**

** Early redemption option date / Repayment date*

In October 2012 the Group issued MUSD 500 of subordinated seven and a half year loan participation notes at the fixed rate of 9.38% through Eurasia Capital S.A. The terms of the loan agreement include a call option executable on 24 April 2018 ("the reset date"). After the reset date the interest rate is determined as two year US treasuries rate + 862.4 b.p. The proceeds from the issue were used to grant a subordinated loan to the Bank. In November 2012 the issue was registered with the CBR. In April 2018 the Group fully repaid loan participation notes issue at par with the prior consent of the CBR. The amount of early redemption was MUSD 221.

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 2018 the Group bought back the loan participation notes with a par value of MUSD 43.

19. Due to banks and other financial institutions

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Unsecured loans	11,284	10,943
Secured loans	2,228	6,114
Other balances	621	91
	14,133	**17,148**

20. Current accounts and deposits from customers

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Retail		
Term deposits	149,374	143,244
Current accounts and demand deposits	51,391	43,458
	200,765	186,702
Corporate		
Term deposits	8,698	5,923
Current accounts and demand deposits	383	318
	9,081	6,241
	209,846	**192,943**

21. Other liabilities

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Settlements with suppliers	2,364	2,613
Accrued employee compensation	1,582	2,276
Provision for return of insurance fee	1,004	756
Other taxes payable	456	377
Accrued payments to the Deposits Insurance Agency	272	204
Provision for restructuring	36	38
Provisions for credit losses from loan commitments	24	-
Provision for litigations	23	20
Other	181	155
	5,942	**6,439**

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

MRUB	2018	2017
Balance at 1 January	**756**	**475**
Net charge	1,159	993
Amounts returned	(911)	(840)
Balance at 30 June (unaudited)	**1,004**	**628**

Movements in the provision for restructuring were as follows:

MRUB	2018	2017
Balance at 1 January	**38**	**51**
Amounts related to offices closed	(2)	(3)
Balance at 30 June (unaudited)	**36**	**48**

21. Other liabilities (continued)

Movements in provisions for credit losses from loan commitments are as follows:

MRUB		**2018**
Balance at 31 December 2017		**-**
Impact of adopting IFRS 9 as at 1 January 2018, net of tax (see Note 3)		15
Restated balance as at 1 January 2018 (unaudited)		**15**
Net charge	8	8
Effect of foreign currency translation		1
Balance at 30 June (unaudited)		**24**

As at 30 June 2018 impairment allowances for credit losses from loan commitments are measured at an amount equal to 12-month ECL.

Movements in the provision for litigations were as follows:

MRUB	**2018**	**2017**
Balance at 1 January	**20**	**69**
Net charge	11	25
Amounts paid	(8)	(45)
Balance at 30 June (unaudited)	**23**	**49**

22. Financial instruments

Liquidity risk

The following table shows assets and liabilities as at 30 June 2018 and 31 December 2017 by remaining contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the condensed consolidated statement of financial position because the statement of financial position amount is based on discounted cash flows. Investments 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 and current accounts from individuals to be a stable source of funding, thus classifying them in accordance with contractual maturities and expected prolongations for term deposits or expected demand for current accounts.

22. Financial instruments (continued)

MRUB	**30 June 2018 (Unaudited)**							**31 December 2017**						
	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	29,137	-	-	-	-	-	29,137	23,050	-	-	-	-	-	23,050
Placements with banks and other financial institutions	-	-	111	-	-	4,209	4,320	-	-	-	-	-	3,464	3,464
Loans to customers	21,946	38,842	113,942	101,379	2,594	-	278,703	20,871	36,428	106,279	92,435	2,680	-	258,693
Positive fair value of derivative instruments	-	-	51	-	-	-	51	-	-	-	-	-	-	-
Investment securities	26,922	336	3,693	583	319	-	31,853	44,731	408	3,024	460	205	-	48,828
Assets classified as held for sale	-	-	169	-	-	-	169	-	-	217	-	-	-	217
Property, equipment and intangible assets	-	-	-	-	-	7,301	7,301	-	-	-	-	-	7,160	7,160
Investment in associate	-	-	-	-	-	91	91	-	-	-	-	-	108	108
Current income tax receivable	-	-	34	674	-	-	708	-	-	-	516	-	-	516
Deferred tax asset	-	-	-	-	-	2,675	2,675	-	-	-	-	-	3,146	3,146
Other assets	1,019	21	353	265	6	-	1,664	840	351	164	121	24	-	1,500
Total assets	**79,024**	**39,199**	**118,353**	**102,901**	**2,919**	**14,276**	**356,672**	**89,492**	**37,187**	**109,684**	**93,532**	**2,909**	**13,878**	**346,682**
Liabilities														
Debt securities issued	-	59	1,692	3,084	-	-	4,835	-	56	426	4,305	-	-	4,787
Subordinated debt	-	-	10,894	-	-	-	10,894	-	-	14,527	10,006	-	-	24,533
Due to banks and other financial institutions	3,662	2,877	8,306	165	-	-	15,010	7,076	1,637	8,984	-	-	-	17,697
Current accounts and deposits from customers	32,359	24,095	117,827	36,484	6,713	-	217,478	28,516	22,149	89,118	55,978	5,635	-	201,396
- Current accounts and deposits from individuals	*31,677*	*23,346*	*110,983*	*34,921*	*6,713*	-	*207,640*	*27,432*	*20,655*	*85,741*	*55,232*	*5,635*	-	*194,695*
- Current accounts and deposits from corporations	*682*	*749*	*6,844*	*1,563*	-	-	*9,838*	*1,084*	*1,494*	*3,377*	*746*	-	-	*6,701*
Negative fair value of derivative instruments	-	-	166	-	-	-	166	-	-	16	-	-	-	16
Current income tax liability	-	-	-	-	-	-	-	106	-	-	-	-	-	106
Other liabilities	3,279	1,098	1,421	144	-	-	5,942	3,141	2,226	778	294	-	-	6,439
Total liabilities	**39,300**	**28,129**	**140,306**	**39,877**	**6,713**	**-**	**254,325**	**38,839**	**26,068**	**113,849**	**70,583**	**5,635**	**-**	**254,974**
Net balance position	**39,724**	**11,070**	**(21,953)**	**63,024**	**(3,794)**	**14,276**	**102,347**	**50,653**	**11,119**	**(4,165)**	**22,949**	**(2,726)**	**13,878**	**91,708**
Irrevocable credit related commitments	3,606	-	-	-	-	-	3,606	6,096	-	-	-	-	-	6,096
Net off-balance position	**3,606**	**-**	**-**	**-**	**-**	**-**	**3,606**	**6,096**	**-**	**-**	**-**	**-**	**-**	**6,096**
Cumulative net position	**36,118**	**47,188**	**25,235**	**88,259**	**84,465**	**98,741**		**44,557**	**55,676**	**51,511**	**74,460**	**71,734**	**85,612**	

22. Financial instruments (continued)

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

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Less than 1 month	62,599	55,972
From 1 to 3 months	23,114	20,637
From 3 to 12 months	106,239	81,501
From 1 to 5 years	15,688	36,585
	207,640	**194,695**

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 99.2-105.2% 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 102.7% 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 17.5-19.0%. The estimation of the fair value of mortgage loans was made by using discounting future cash flows at discount rates of 10.0-10.5%;
- 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 0.1% in EUR, 1.8% in USD, 5.8-6.7% in RUB and 8.0% 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 6.0% in RUB, 0.1-2.5% in USD, 0.6%-2.2% in EUR and 6.6-12.0% 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 2018:

MRUB	Carrying amount (Unaudited)	Fair value (Unaudited) Level 1	Level 2	Level 3	Total
Assets					
Loans to customers	223,163	-	-	227,977	227,977
Liabilities					
Debt securities issued	4,081	-	4,172	-	4,172
Subordinated debt	10,065	10,333	-	-	10,333
Due to banks and other financial institutions	14,133	-	14,802	-	14,802
Current accounts and deposits from customers	209,846	-	211,346	-	211,346

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 2017:

MRUB	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Assets					
Loans to customers	208,249	-	-	212,186	212,186
Liabilities					
Debt securities issued	3,838	-	3,877	-	3,877
Subordinated debt	22,847	23,355	-	-	23,355
Due to banks and other financial institutions	17,148	-	17,416	-	17,416
Current accounts and deposits from customers	192,943	-	193,711	-	193,711

The estimates of fair values of financial assets other than loans to customers and financial liabilities other than debt securities issued, subordinated debt, due to banks and other financial institutions and current accounts and deposits from customers as at 30 June 2018 and 31 December 2017 are not materially different from their carrying values.

22. Financial instruments (continued)

The table below analyses financial instruments measured at fair value as at 30 June 2018, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	Level 1	Level 2 (Unaudited)	Total
Assets			
Investment securities	29,707	1,942	31,649
Liabilities			
Negative fair value of derivative instruments	-	166	166

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

MRUB	Level 1	Level 2	Total
Assets			
Investment securities	48,640	170	48,810
Liabilities			
Negative fair value of derivative instruments	-	16	16

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.

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Credit card commitments	22,739	17,054
POS and cash loan commitments	3,606	6,096
	26,345	**23,150**

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:

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Less than one year	702	648
Between one and five years	1,720	1,589
More than five years	225	214
	2,647	**2,451**

During six month period ended 30 June 2018 MRUB 539 (six month period ended 30 June 2017: MRUB 521) 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:

(Unaudited) MRUB	6 month period ended 30 June 2018	6 month period ended 30 June 2017
Interest income calculated using EIR	-	264
Interest expense	(2)	-
Loss from foreign exchange revaluation of financial assets and liabilities	-	(167)
General administrative expenses	(37)	-
	(39)	**97**

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

MRUB	30 June 2018 (Unaudited)	31 Dec 2017
Due to banks and other financial institutions	-	(692)
Other liabilities	(37)	-
	(37)	**(692)**

As at 31 December 2017 due to banks and other financial institutions shown above included term deposits in the amount of MRUB 692 at an effective interest rate 15.24% with a maturity from one to three months.

(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:

(Unaudited) MRUB	6 month period ended 30 June 2018	6 month period ended 30 June 2017
Interest expense	(533)	(617)
Fee and commission income	613	576
Gain from foreign exchange revaluation of financial assets and liabilities	6	303
Other operating income	197	161
General administrative expenses	(793)	(611)
	(510)	**(188)**

26. Related party transactions (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:

MRUB	**30 June 2018 (Unaudited)**	**31 Dec 2017**
Cash and cash equivalents	1,309	61
Positive fair value of derivative instruments	51	-
Property, equipment and intangible assets	1,011	906
Other assets	27	48
Subordinated debt	(3,635)	(10,318)
Due to banks and other financial institutions	(7,121)	(4,072)
Current accounts and deposits from customers	(7)	(13)
Negative fair value of derivative instruments	(166)	(16)
Other liabilities	(279)	(180)
	(8,810)	**(13,584)**

As at 30 June 2018 due to banks and other financial institutions amounted to MRUB 7,121 at an effective interest rate of 6.8% with the maturity less than one month, from one month to one year and from one year to 5 years (31 December 2017: MRUB 4,072 at an effective interest rate of 7.56% with the maturity less than one month and from one month to one years).

As at 30 June 2018 current accounts and deposits from customers included deposits of MRUB 7 with the maturity of less than one month (31 December 2017: other balances of MRUB 13 with the maturity less than one month).

As at 30 June 2018 subordinated debt amounted to MRUB 3,635 at an effective interest rate of 10.5% with the maturity from three months to one year (31 December 2017: MRUB 10,318 at an effective interest rate of 10.2% with the maturity from three months 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 438 (six month period ended 30 June 2017: MRUB 288) 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 2018, 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 2017: 4.5%, 6.0% and 8.0% respectively).

Since 1 January 2016 the Group should comply with capital buffers: capital conservation buffer and countercycle buffer.

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 2018 and 31 December 2017 was as follows:

MRUB	**30 June 2018 (Unaudited)**	**31 Dec 2017**
Risk-weighted assets (N20.0)	**400,634**	**427,584**
Risk-weighted assets (N20.1, N20.2)	**403,128**	**429,179**
Core capital	40,922	38,902
Primary capital	40,922	38,902
Additional capital	9,244	15,674
Total capital	**50,166**	**54,576**
Core capital adequacy ratio N20.1	**10.2%**	**9.1%**
Primary capital adequacy ratio N20.2	**10.2%**	**9.1%**
Total capital adequacy ratio N20.0	**12.5%**	**12.8%**

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 30 June 2018 and 31 December 2017 was as follows:

MRUB	**30 June 2018 (Unaudited)**	**31 Dec 2017**
Risk weighted assets	**286,804**	**273,581**
Tier I capital	56,690	52,873
Tier II capital	5,531	12,253
Total capital	**62,221**	**65,126**
Tier I ratio	19.8%	19.3%
Capital Adequacy Ratio	21.7%	23.8%

As at 30 June 2018 and 31 December 2017 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 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.

Performance of individual segments is assessed by the Board of Management based on segment profit or loss. Interest expense and other operating income (expense) by major segments result from allocation of financing raised by the treasury function.

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 profit and assets is provided below.

(a) Operational segments

MRUB	POS loans	Credit card loans	Cash loans	Other segment	Unallo-cated	Total
6 month period ended 30 June 2018 (unaudited)						
Interest income calculated using EIR	6,374	2,113	15,739	1,838	-	**26,064**
Interest expense	(1,515)	(833)	(5,687)	(945)	-	**(8,980)**
Net interest income	**4,859**	**1,280**	**10,052**	**893**	**-**	**17,084**
Fee and commission income	1,016	1,012	2,544	870	193	**5,635**
Fee and commission expense	(230)	(456)	(479)	(441)	(311)	**(1,917)**
Net fee and commission income	**786**	**556**	**2,065**	**429**	**(118)**	**3,718**
Other operating (expense)/income, net	(18)	(6)	(73)	160	77	**140**
Operating income	**5,627**	**1,830**	**12,044**	**1,482**	**(41)**	**20,942**
Impairment losses	(1,056)	(151)	(658)	(352)	(97)	**(2,314)**
General administrative expenses	-	-	-	**-**	(10,491)	**(10,491)**
Operating expenses	**(1,056)**	**(151)**	**(658)**	**(352)**	**(10,588)**	**(12,805)**
Profit before tax	**4,571**	**1,679**	**11,386**	**1,130**	**(10,629)**	**8,137**
Income tax expense	-	-	-	-	(1,624)	**(1,624)**
Profit for the period	**4,571**	**1,679**	**11,386**	**1,130**	**(12,253)**	**6,513**

28. Segment analysis (continued)

MRUB	POS loans	Credit card loans	Cash loans	Other segment	Unallo-cated	Total
6 month period ended 30 June 2017 (unaudited)						
Interest income	5,716	2,626	12,697	1,889	-	**22,928**
Interest expense	(1,452)	(1,005)	(4,406)	(1,467)	-	**(8,330)**
Net interest income	**4,264**	**1,621**	**8,291**	**422**	**-**	**14,598**
Fee and commission income	1,533	963	2,420	868	140	**5,924**
Fee and commission expense	(74)	(333)	(147)	(101)	(494)	**(1,149)**
Net fee and commission income	**1,459**	**630**	**2,273**	**767**	**(354)**	**4,775**
Other operating (expense)/income, net	(11)	(1)	(29)	36	53	**48**
Operating income	**5,712**	**2,250**	**10,535**	**1,225**	**(301)**	**19,421**
Impairment losses	(947)	(337)	122	(240)	(14)	**(1,416)**
General administrative expenses	-	-	-	-	(9,022)	**(9,022)**
Operating expenses	**(947)**	**(337)**	**122**	**(240)**	**(9,036)**	**(10,438)**
Profit before tax	**4,765**	**1,913**	**10,657**	**985**	**(9,337)**	**8,983**
Income tax expense	-	-	-	-	(1,832)	**(1,832)**
Profit for the period	**4,765**	**1,913**	**10,657**	**985**	**(11,169)**	**7,151**

Segment assets	POS loans	Credit card	Cash loans	Other	Total
Carrying amount at 30 June 2018 (unaudited)	69,323	16,781	132,449	52,655	**271,208**
Carrying amount at 31 December 2017	71,725	15,635	115,809	64,876	**268,045**

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

MRUB	30 Jun 2018 (Unaudited)	31 Dec 2017
Total segment assets	**271,208**	**268,045**
Cash and cash equivalents (excluded from other segments)	15,204	13,878
Placements with banks and other financial institutions	1,903	1,640
Assets classified as held for sale	169	217
Property, equipment and intangible assets	7,301	7,160
Investment in associate	91	108
Income tax asset	3,383	3,662
Other assets	1,664	1,500
Total assets	**300,923**	**296,210**

28. Segment analysis (continued)

(b) Geographical segments

MRUB 6 month period ended 30 June 2018 (unaudited)	Russian Federation	Kazakhstan	Eliminations	Total
Interest income calculated using EIR	19,992	6,076	(4)	**26,064**
Interest expense	(7,169)	(1,815)	4	**(8,980)**
Net interest income	**12,823**	**4,261**	**-**	**17,084**
Fee and commission income	4,334	1,301	-	**5,635**
Fee and commission expense	(1,769)	(148)	-	**(1,917)**
Net fee and commission income	**2,565**	**1,153**	**-**	**3,718**
Other operating income/(expense), net	224	(84)	-	**140**
Operating income	**15,612**	**5,330**	**-**	**20,942**
Impairment losses	(2,070)	(244)	**-**	**(2,314)**
General administrative expenses	(7,891)	(2,600)	-	**(10,491)**
Operating expenses	**(9,961)**	**(2,844)**	-	**(12,805)**
Profit before tax	**5,651**	**2,486**	**-**	**8,137**
Income tax expense	(1,104)	(520)	**-**	**(1,624)**
Profit for the period	**4,547**	**1,966**	-	**6,513**

MRUB 6 month period ended 30 June 2017 (unaudited)	Russian Federation	Kazakhstan	Eliminations	Total
Interest income	18,480	4,448	-	**22,928**
Interest expense	(7,065)	(1,265)	-	**(8,330)**
Net interest income	**11,415**	**3,183**	**-**	**14,598**
Fee and commission income	4,636	1,288	-	**5,924**
Fee and commission expense	(1,010)	(139)	-	**(1,149)**
Net fee and commission income	**3,626**	**1,149**	-	**4,775**
Other operating income/(expense), net	1,753	(71)	(1,634)	**48**
Operating income	**16,794**	**4,261**	**(1,634)**	**19,421**
Impairment losses	(1,596)	180	**-**	**(1,416)**
General administrative expenses	(7,103)	(1,919)	-	**(9,022)**
Operating expenses	**(8,699)**	**(1,739)**	**-**	**(10,438)**
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**

28. Segment analysis (continued)

Segment assets

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Carrying amount at 30 June 2018 (unaudited)	253,056	49,643	(1,776)	**300,923**
Carrying amount at 31 December 2017	260,204	38,946	(2,940)	**296,210**

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
30 June 2018 (unaudited)				
Cash and cash equivalents	23,435	5,697	-	**29,132**
Placements with banks and other financial institutions	3,714	606	-	**4,320**
Loans to customers	184,218	38,945	-	**223,163**
Positive fair value of derivative instruments	-	51	-	**51**
Investment securities	29,464	2,185	-	**31,649**
Assets classified as held for sale	169	-	-	**169**
Property, equipment and intangible assets	5,906	1,395	-	**7,301**
Investment in associate	1,867	-	(1,776)	**91**
Current income tax receivable	674	34	-	**708**
Deferred tax asset	2,557	118	-	**2,675**
Other assets	1,052	612	-	**1,664**
Total assets	**253,056**	**49,643**	**(1,776)**	**300,923**
Debt securities issued	-	4,081	-	**4,081**
Subordinated debt	10,065	0	-	**10,065**
Due to banks and other financial institutions	3,655	10,478	-	**14,133**
Current accounts and deposits from customers	186,260	23,586	-	**209,846**
Negative fair value of derivative instruments	-	166	-	**166**
Other liabilities	4,693	1,249	-	**5,942**
Total liabilities	**204,673**	**39,560**	**-**	**244,233**

28. Segment analysis (continued)

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
31 December 2017				
Cash and cash equivalents	20,891	2,149	-	**23,040**
Placements with banks and other financial institutions	4,316	312	(1,164)	**3,464**
Loans to customers	175,671	32,578	-	**208,249**
Financial assets available for sale	46,820	1,990	-	**48,810**
Assets classified as held for sale	217	-	-	**217**
Property, equipment and intangible assets	5,887	1,273	-	**7,160**
Investment in associate	1,884	-	(1,776)	**108**
Current income tax receivable	516	-	-	**516**
Deferred tax asset	3,054	92	-	**3,146**
Other assets	948	552	-	**1,500**
Total assets	**260,204**	**38,946**	**(2,940)**	**296,210**
Debt securities issued	-	3,838	-	**3,838**
Subordinated debt	22,847	-	-	**22,847**
Due to banks and other financial institutions	9,605	8,707	(1,164)	**17,148**
Current accounts and deposits from customers	176,010	16,933	-	**192,943**
Negative fair value of derivative instruments	-	16	-	**16**
Current income tax liabilitiy	-	106	-	**106**
Other liabilities	4,908	1,531	-	**6,439**
Total liabilities	**213,370**	**31,131**	**(1,164)**	**243,337**

29. Subsequent events

In July 2018 the Group declared and paid out dividends of MRUB 915 in accordance with the decision of the General Meeting of Members.

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova