

Home Credit and Finance Bank

**Condensed Consolidated Interim Financial Statements
for the nine month period ended 30 September 2019**

(unaudited)

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Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Profit or Loss
for the nine month period ended 30 September 2019

(Unaudited) MRUB	Note	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018	3 month period ended 30 Sep 2019	3 month period ended 30 Sep 2018
Interest income calculated using effective interest rate	4	42,464	39,748	14,495	13,684
Interest expense	4	<u>(12,886)</u>	<u>(13,418)</u>	<u>(4,366)</u>	<u>(4,438)</u>
Net interest income		29,578	26,330	10,129	9,246
Fee and commission income	5	10,021	8,940	3,903	3,305
Fee and commission expense	6	<u>(4,057)</u>	<u>(2,967)</u>	<u>(1,534)</u>	<u>(1,050)</u>
Net fee and commission income		5,964	5,973	2,369	2,255
Other operating income/(losses), net	7	<u>65</u>	<u>(618)</u>	<u>334</u>	<u>(758)</u>
Operating income		35,607	31,685	12,832	10,743
Charge of impairment losses	8	(2,099)	(3,427)	(1,428)	(1,113)
General administrative expenses	9	<u>(16,725)</u>	<u>(15,571)</u>	<u>(5,611)</u>	<u>(5,080)</u>
Operating expenses		<u>(18,824)</u>	<u>(18,998)</u>	<u>(7,039)</u>	<u>(6,193)</u>
Profit before tax		16,783	12,687	5,793	4,550
Income tax expense	10	<u>(3,387)</u>	<u>(2,532)</u>	<u>(1,168)</u>	<u>(908)</u>
Profit for the period		<u><u>13,396</u></u>	<u><u>10,155</u></u>	<u><u>4,625</u></u>	<u><u>3,642</u></u>

The condensed consolidated interim financial statements as set out on pages 3 to 46 were approved by the Board of Management on 29 November 2019.

Chairman of the Board of Management

Y. Andresov



Chief Financial Officer

I. Kolikova

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

Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Financial Position
as at 30 September 2019

MRUB		30 Sep 2019	31 Dec 2018
ASSETS	Note	(Unaudited)	
Cash and cash equivalents	11	40,997	28,965
Placements with banks and other financial institutions	12	7,318	5,193
Loans to customers	13	255,434	245,354
Positive fair value of derivative instruments		384	144
Investment securities	14	13,722	35,910
<i>incl. pledged under repo agreements</i>		2,222	2,622
Assets classified as held for sale		177	212
Property, equipment and intangible assets	15	9,132	7,459
Investment in associate		204	228
Current income tax receivable		3	5
Deferred tax asset		2,985	2,750
Other assets	16	<u>1,858</u>	<u>1,570</u>
Total assets		<u>332,214</u>	<u>327,790</u>
 LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	17	12,464	9,127
Subordinated debt	18	-	11,150
Due to banks and other financial institutions	19	15,870	15,561
Current accounts and deposits from customers	20	222,533	222,090
Negative fair value of derivative instruments		776	54
Current income tax liability		571	238
Other liabilities	21	<u>8,224</u>	<u>6,484</u>
Total liabilities		<u>260,438</u>	<u>264,704</u>
 Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for investment securities		6	15
Translation reserve		(2,002)	(981)
Retained earnings		<u>58,735</u>	<u>49,015</u>
Total equity		<u>71,776</u>	<u>63,086</u>
 Total liabilities and equity		<u>332,214</u>	<u>327,790</u>

Chairman of the Board of Management

Y. Andresov



Chief Financial Officer

I. Kolikova

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

Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Changes in Equity
for the nine month period ended 30 September 2019

MRUB	Attributable to equity holders of the Group					
	Charter capital	Other capital contributions	Revaluation reserve for investment securities	Translation reserve	Retained earnings	Total
Balance at 1 January 2018	4,406	10,631	48	(1,300)	37,622	51,407
Profit for the period	-	-	-	-	10,155	10,155
Revaluation reserve for investment securities:						
- net change in fair value, net of tax	-	-	(796)	-	-	(796)
- net change in fair value transferred to profit or loss, net of tax	-	-	698	-	-	698
- changes of expected credit loss allowance, net of tax	-	-	33	-	-	33
Effect of foreign currency translation	-	-	-	309	-	309
Total comprehensive income/(loss) for the period	-	-	(65)	309	10,155	10,399
Dividends declared and paid	-	-	-	-	(2,415)	(2,415)
Balance at 30 September 2018 (unaudited)	4,406	10,631	(17)	(991)	45,362	59,391

MRUB	Attributable to equity holders of the Group					
	Charter capital	Other capital contributions	Revaluation reserve for investment securities	Translation reserve	Retained earnings	Total
Balance at 1 January 2019	4,406	10,631	15	(981)	49,015	63,086
Profit for the period	-	-	-	-	13,396	13,396
Revaluation reserve for investment securities:						
- net change in fair value, net of tax	-	-	38	-	-	38
- net change in fair value transferred to profit or loss, net of tax	-	-	15	-	-	15
- changes of expected credit loss allowance, net of tax	-	-	(62)	-	-	(62)
Effect of foreign currency translation	-	-	-	(1,021)	-	(1,021)
Total comprehensive income/(loss) for the period	-	-	(9)	(1,021)	13,396	12,366
Dividends declared and paid	-	-	-	-	(3,676)	(3,676)
Balance at 30 September 2019 (unaudited)	4,406	10,631	6	(2,002)	58,735	71,776

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.

*Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Cash Flows
for the nine month period ended 30 September 2019*

(Unaudited) MRUB	Note	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018
Cash flow from operating activities			
Interest received		43,097	41,653
Interest paid		(10,586)	(12,522)
Fees and commissions received		9,908	8,970
Fees and commissions paid		(4,322)	(3,229)
Net receipts from foreign exchange transactions		(226)	355
Other operating income received		559	80
Administrative and other operating expenses paid		(15,275)	(14,243)
Income tax paid		(3,254)	(1,384)
Cash flows from operating activities before changes in operating assets and liabilities		<u>19,901</u>	<u>19,680</u>
Changes in operating assets and liabilities			
Net increase in placements with banks and other financial institutions		(2,560)	(5,827)
Net increase in loans to customers		(16,964)	(28,343)
Net decrease in investment securities		22,000	21,099
Net increase in other assets		(137)	(88)
Net increase in current accounts and deposits from customers		899	13,056
Net decrease in due to banks and other financial institutions		1,719	1,999
Net increase/(decrease) in other liabilities		366	(269)
Net cash from operating activities		<u>25,224</u>	<u>21,307</u>
Cash flows used in investing activities			
Dividends from associate		261	125
Proceeds from sale of property and equipment		10	11
Acquisition of property, equipment and intangible assets		(1,213)	(1,513)
Net cash used in investing activities		<u>(942)</u>	<u>(1,377)</u>
Cash flows used in financing activities			
Proceeds from the issue of debt securities		4,968	-
Repayments of debt securities issued		(1,182)	-
Repayments of subordinated debt		(10,097)	(14,210)
Lease obligation paid		(514)	-
Dividends paid		(3,676)	(2,415)
Net cash used in financing activities		<u>(10,501)</u>	<u>(16,625)</u>
Net increase in cash and cash equivalents		13,781	3,305
Effect of exchange rate changes on cash and cash equivalents		(1,749)	712
Effect of changes in expected credit losses allowance on cash and cash equivalents		-	1
Cash and cash equivalents at 1 January	11	<u>28,965</u>	<u>23,040</u>
Cash and cash equivalents at 30 September	11	<u><u>40,997</u></u>	<u><u>27,058</u></u>

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 15 March 2012 the Bank received General Banking Licence #316 from the Central Bank of Russia (the "CBR"). The Bank together with its subsidiaries is further referred to as the Group.

Registered office

8/1 Pravda st
 Moscow 125040
 Russian Federation

Participants	Country of incorporation	Ownership interest (%)	
		30 Sep 2019 (Unaudited)	31 Dec 2018
Home Credit N.V.*	The Netherlands	99.99	99.99
Home Credit International a.s.	Czech Republic	0.01	0.01

* In July 2019 the participant Home Credit B.V. changed the organizational structure and became a public limited liability company Home Credit N.V.

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

Consolidated subsidiaries	Country of incorporation	Ownership interest (%)	
		30 Sep 2019 (Unaudited)	31 Dec 2018
Financial Innovations (LLC)	Russian Federation	100.00	100.00
Bank Home Credit (SB JSC)	Kazakhstan	100.00	100.00

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 Sep 2019 (Unaudited)	31 Dec 2018
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00

Council

Jiri Smejč
 Irina Kolikova
 Galina Vaisband
 Yuly Tai

Chairman
 Deputy Chairman
 Member
 Member

Board of Management

Yuriy Andresov
 Artem Aleshkin
 Aleksandr Antonenko
 Martin Schaffer
 Olga Egorova

Chairman
 Deputy Chairman
 Deputy Chairman
 Deputy Chairman
 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, Kazakh Post branches and other third parties.

As at 30 September 2019 the Bank's distribution network comprised the head office in Moscow and 217 standard banking offices, 3,664 loan offices, 74 regional centres, 2 representative offices and over 111 thousand points of sale in the Russian Federation. As at 30 September 2019 the ATM network comprised 698 ATMs and payment terminals across the Russian Federation.

As at 30 September 2019 the distribution network in Kazakhstan comprised 45 standard banking offices, 10,091 loan offices and points of sale, 243 Kazakhstan post offices and 596 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 2018, 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(e) of the Group's annual consolidated financial statements for the year ended 31 December 2018.

(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 Kazakhstan 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.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to 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. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

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(b)(i) of the Group's annual consolidated financial statements for the year ended 31 December 2018.

3. Significant accounting policies

Except as described below, 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 2018.

(a) Changes in accounting policies and presentation since 1 January 2019

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

3. Significant accounting policies (continued)

The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

IFRS 16 Leases (adopted 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).

The Group has adopted IFRS 16 as issued by the IASB in January 2016 with a date of transition of 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 16 in previous periods.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for the year ended 31 December 2018 and for the nine months period ended 30 September 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for the period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. “Property, plant and equipment” stated in these condensed consolidated interim financial statements comprise owned and leased assets that do not meet the definition of investment property.

The carrying amount of right-of-use assets are as below:

(Unaudited)	Note	Right-of-use assets	
MRUB		Property	Total
Balance at 1 January 2019		2,203	2,203
Balance at 30 September 2019	15	1,797	1,797

3. Significant accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group presents lease liabilities in "other liabilities" in the condensed consolidated interim statement of financial position.

Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below:

MRUB	1 Jan 2019 (Unaudited)
Right-of-use assets presented in property, plant and equipment	2,203
Lease liabilities	(2,203)
	<u><u> </u></u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 11.1%.

MRUB	1 Jan 2019 (Unaudited)
Operating lease commitment as at 31 December 2018	3,495
Discounted using the incremental borrowing rate at 1 January 2019	(659)
-Recognition exemption for leases of low-value assets	(15)
-Recognition exemption for leases with less than 12 months of lease term at transition	(1,016)
-Extension options reasonably certain to be exercised	398
Lease liabilities recognised at 1 January 2019	<u><u>2,203</u></u>

Impact for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RUB 2,203 million of right-of-use assets and RUB 2,203 million of lease liabilities as at 1 January 2019. Also in relation to those leases under IFRS 16, the Group recognised depreciation and interest costs, instead of operating lease expense. During the nine months ended 30 September 2019, the Group recognised RUB 443 million of depreciation charges and RUB 174 million of interest costs from these leases.

4. Interest income and interest expense

(Unaudited)
MRUB

Interest income calculated using effective interest rate

	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018	3 month period ended 30 Sep 2019	3 month period ended 30 Sep 2018
Loans to individuals	40,292	37,204	13,808	12,901
Investment securities	994	1,634	261	397
Placements with banks and other financial institutions	710	321	275	157
Amounts receivable under reverse repurchase agreements	383	394	140	176
Loans to corporations	69	195	-	53
Investment securities at amortized cost	16	-	11	-
	42,464	39,748	14,495	13,684

Interest expense

Current accounts and deposits from customers	10,726	11,072	3,762	3,728
Debt securities issued	782	393	259	134
Due to banks and other financial institutions	672	581	225	224
Subordinated debt	341	1,150	-	277
Amounts payable under repurchase agreements	191	222	65	75
Lease liabilities	174	-	55	-
	12,886	13,418	4,366	4,438

5. Fee and commission income

(Unaudited) MRUB	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018	3 month period ended 30 Sep 2019	3 month period ended 30 Sep 2018
Insurance agent commissions	4,570	4,806	1,810	1,855
Cash operations	1,673	1,163	587	413
Customer payments processing and account maintenance	1,414	1,176	479	419
Contractual penalties from customers	1,435	1,020	711	359
Fees from retailers	770	581	246	208
Pension agent commissions	5	29	-	-
Other	154	165	70	51
	<u>10,021</u>	<u>8,940</u>	<u>3,903</u>	<u>3,305</u>

The fee and commission income from contracts with customers in the scope of IFRS 15 is measured based on the consideration specified in a contract with a customer. The Group recognises revenue related to transactions at the point in time when the transaction takes place.

The Group provides insurance agent services to retail customers (insurance policies) under the framework agreement concluded between the Group and insurance company. The Group acts as an insurance agent and offers customers insurance policies on behalf of the insurance company. The Group is paid an agency fee proportionate to premiums subscribed. There are two types of contracts with retail customers: (1) purchase of an insurance policy along with a loan, payment for the policy is made using cash obtained under a loan agreement and (2) purchase an insurance policy on its own. Insurance policy purchase is voluntary. Revenue related to transactions is recognised at the point in time when the transaction takes place.

6. Fee and commission expense

(Unaudited) MRUB	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018	3 month period ended 30 Sep 2019	3 month period ended 30 Sep 2018
Cash transactions	1,086	878	383	308
Payments processing and account maintenance	1,072	524	463	202
Payments to the Deposit Insurance Agency	859	850	299	291
Customer verification fees	545	399	250	134
State duties	198	180	(1)	75
Other	297	136	140	40
	<u>4,057</u>	<u>2,967</u>	<u>1,534</u>	<u>1,050</u>

7. Other operating income/(losses), net

(Unaudited) MRUB	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018	3 month period ended 30 Sep 2019	3 month period ended 30 Sep 2018
Gain from sale of loans	450	-	450	-
Share of the profit of associate	238	171	95	63
Gain/(loss) from foreign exchange revaluation of financial assets and liabilities	13	(621)	(163)	(134)
Net gain on early redemption of subordinated debt	-	21	-	-
Net realised losses on disposal of investment securities	(30)	(842)	-	(1,006)
Net (loss)/gain on spot transactions and currency derivatives	(715)	614	(86)	268
Other	109	39	38	51
	<u>65</u>	<u>(618)</u>	<u>334</u>	<u>(758)</u>

8. Charge of impairment losses

(Unaudited) MRUB	Note	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018	3 month period ended 30 Sep 2019	3 month period ended 30 Sep 2018
Cash loans	13	1,667	1,227	961	569
POS loans	13	640	1,551	420	495
Credit losses from loan commitments	21	3	21	-	13
Car loans	13	-	(1)	-	-
Cash and cash equivalents	11	-	(1)	-	-
Placements with banks and other financial institutions	12	-	(5)	-	1
Loans to corporations	13	(27)	498	-	92
Mortgage loans	13	(86)	(101)	(38)	(48)
Investment securities	14	(77)	41	(1)	(21)
Credit card loans	13	(39)	157	83	6
Other assets	16	18	40	3	6
		<u>2,099</u>	<u>3,427</u>	<u>1,428</u>	<u>1,113</u>

9. General administrative expenses

(Unaudited) MRUB	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018	3 month period ended 30 Sep 2019	3 month period ended 30 Sep 2018
Personnel related expenses	8,350	7,700	2,836	2,563
Payroll related taxes	1,826	1,648	595	521
Depreciation and amortisation	1,749	1,275	576	436
Advertising and marketing	1,007	759	348	118
Professional services	830	762	272	290
Telecommunication and postage	732	700	251	261
Repairs and maintenance	654	614	229	205
Information technology	647	687	170	211
Occupancy	317	816	116	277
Travel expenses	160	144	58	50
Taxes other than income tax	140	195	33	66
Other	313	271	127	82
	16,725	15,571	5,611	5,080

10. Income tax expense

(Unaudited)	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018	3 month period ended 30 Sep 2019	3 month period ended 30 Sep 2018
MRUB				
Current tax expense	(3,628)	(1,701)	(1,476)	(863)
Deferred tax expense	241	(831)	308	(45)
	<u>(3,387)</u>	<u>(2,532)</u>	<u>(1,168)</u>	<u>(908)</u>
 Reconciliation of effective tax rate				
(Unaudited)	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018	3 month period ended 30 Sep 2019	3 month period ended 30 Sep 2018
MRUB				
Profit before tax	<u>16,783</u>	<u>12,687</u>	<u>5,793</u>	<u>4,550</u>
Income tax using the applicable tax rate (20%)	(3,357)	(2,537)	(1,159)	(910)
Net non-deductible costs	(87)	(67)	(18)	(16)
Income taxed at lower tax rates	57	72	9	18
	<u>(3,387)</u>	<u>(2,532)</u>	<u>(1,168)</u>	<u>(908)</u>

10. Income tax expense (continued)

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

	9 month period ended 30 September 2019			9 month period ended 30 September 2018			3 month period ended 30 September 2019			3 month period ended 30 September 2018		
	Amount before tax	Tax benefit	Amount net of tax	Amount before tax	Tax benefit	Amount net of tax	Amount before tax	Tax benefit	Amount net of tax	Amount before tax	Tax expense	Amount net of tax
(Unaudited) MRUB												
Net change in fair value of investment securities	(11)	2	(9)	(81)	16	(65)	(16)	3	(13)	179	(36)	143
	(11)	2	(9)	(81)	16	(65)	(16)	3	(13)	179	(36)	143

11. Cash and cash equivalents

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Amounts receivable under repurchase agreements	6,034	5,104
Nostro accounts with the CBR	1,885	5,500
Placements with banks and other financial institutions due within one month	21,967	3,256
<i>Largest 50 Russian banks</i>	19,536	3
<i>Other Russian non-banking financial institutions</i>	219	1,914
<i>OECD banks</i>	1,126	1,019
<i>Other</i>	1,086	320
Cash	2,911	4,431
Placements with the NBRK	4,196	2,542
Nostro accounts with the NBRK	4,004	8,132
	<u>40,997</u>	<u>28,965</u>

The following tables set out information about the credit quality of cash and cash equivalents using Moody's ratings or analogues of similar international agencies, including countries ratings of Moody's agency as at 30 September 2019 and as at 31 December 2018:

MRUB	30 Sep 2019 (Unaudited) Stage 1	31 Dec 2018 Stage 1
Amounts receivable under repurchase agreements		
Rated Baa3	763	3,400
Rated Ba3	5,271	1,704
	<u>6,034</u>	<u>5,104</u>

As at 30 September 2019 fair value of securities pledged under repurchase agreements equals MRUB 6,454 (2018: MRUB 6,020).

MRUB	30 Sep 2019 (Unaudited) Stage 1	31 Dec 2018 Stage 1
Placements with banks and other financial institutions due within one month		
Rated A3 to A1	587	938
Rated Baa	493	792
Rated B3	11	-
Rated from Ba3 to Ba1	20,876	1,524
Rated below Caa3 to B1	-	2
	<u>21,967</u>	<u>3,256</u>

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

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 Sep 2019 (Unaudited)	31 Dec 2018
Placements with MasterCard, VISA and MIR	2,554	2,205
Minimum reserve deposit with the CBR	1,492	1,513
Minimum reserve deposit with the NBRK	472	960
Term deposits with banks and other financial institutions due after one month	277	516
Amounts receivable under repurchase agreements	2,524	-
Expected credit loss allowance	(1)	(1)
	<u>7,318</u>	<u>5,193</u>

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

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.

As at 30 September 2019 term deposits with banks and other financial institutions due after one month are represented by OECD banks.

Movements of expected credit loss allowance are as follows:

MRUB	Note	2019	2018
Balance at 1 January		1	6
Net charge	8	-	(5)
Balance at 30 September (unaudited)		<u>1</u>	<u>1</u>

The following table sets out information about the credit quality of placements with banks and other financial institutions using Moody's ratings or analogues of similar international agencies, including countries ratings of Moody's agency as at 30 September 2019 and as at 31 December 2018:

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
	Stage 1	Stage 1
Placements with banks and other financial institutions		
Rated A3 to A1	418	2,201
Rated Baa	2,524	-
Rated from Ba3 to Ba1	2,136	2,924
Rated from Caa2 to B1	-	69
	<u>5,078</u>	<u>5,194</u>
Expected credit loss allowance	<u>(1)</u>	<u>(1)</u>
Carrying amount	<u><u>5,077</u></u>	<u><u>5,193</u></u>

13. Loans to customers

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Cash loans	167,433	157,085
POS loans	75,624	75,305
Credit card loans	25,368	20,127
Mortgage loans	1,209	1,516
Loans to corporations	1,129	4,367
Expected credit loss allowance	<u>(15,329)</u>	<u>(13,046)</u>
	<u>255,434</u>	<u>245,354</u>

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 significant changes in the gross carrying amount of the loans to customers for the nine month period ended 30 September 2019 are explained below:

MRUB	Stage 1	Stage 2	Stage 3	Total
Loans to customers – gross carrying amount				
Balance at 1 January	220,857	27,840	9,703	258,400
Transfer to Stage 1	3,623	(3,623)	-	-
Transfer to Stage 2	(18,975)	18,978	(3)	-
Transfer to Stage 3	(4,764)	(3,901)	8,665	-
New financial assets originated	138,418	-	-	138,418
Financial assets that have been fully repaid	(105,317)	(11,477)	(707)	(117,501)
Write-offs	-	-	(4,555)	(4,555)
Unwinding of discount on present value of expected credit losses	-	-	194	194
Effect of foreign currency translation	(3,535)	(485)	(173)	(4,193)
Balance at 30 September (unaudited)	<u>230,307</u>	<u>27,332</u>	<u>13,124</u>	<u>270,763</u>

The significant changes in the gross carrying amount of the loans to customers for the nine month period ended 30 September 2018 are explained below:

MRUB	Stage 1	Stage 2	Stage 3	Total
Loans to customers – gross carrying amount				
Balance at 1 January	186,850	22,220	9,697	218,767
Transfer to Stage 1	2,222	(2,222)	-	-
Transfer to Stage 2	(20,784)	20,792	(8)	-
Transfer to Stage 3	(4,487)	(3,305)	7,792	-
New financial assets originated	137,095	-	-	137,095
Financial assets that have been fully repaid	(94,783)	(9,456)	(1,152)	(105,391)
Write-offs	-	-	(7,044)	(7,044)
Unwinding of discount on present value of expected credit losses	-	-	195	195
Effect of foreign currency translation	1,191	88	73	1,352
Balance at 30 September (unaudited)	<u>207,304</u>	<u>28,117</u>	<u>9,553</u>	<u>244,974</u>

13. Loans to customers (continued)

The following table sets out information about the credit quality of loans to customers measured at amortised cost for the nine month period ended 30 September 2019:

MRUB	30 September 2019 (unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Cash loans				
Not overdue	137,005	16,553	-	153,558
Overdue less than 30 days	1,637	2,911	-	4,548
Overdue 31-90 days	-	2,318	-	2,318
Overdue 91-360 days	-	-	5,388	5,388
Overdue more than 360 days	-	-	1,621	1,621
Total gross portfolio	138,642	21,782	7,009	167,433
Expected credit losses	(2,026)	(1,941)	(4,833)	(8,800)
Carrying amount	136,616	19,841	2,176	158,633
MRUB	30 September 2019 (unaudited)			Total
	Stage 1	Stage 2	Stage 3	
POS loans				
Not overdue	66,621	3,116	-	69,737
Overdue less than 30 days	890	804	-	1,694
Overdue 31-90 days	-	948	-	948
Overdue 91-360 days	-	-	2,386	2,386
Overdue more than 360 days	-	-	859	859
Total gross portfolio	67,511	4,868	3,245	75,624
Expected credit losses	(938)	(569)	(2,274)	(3,781)
Carrying amount	66,573	4,299	971	71,843
MRUB	30 September 2019 (unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Credit card loans				
Not overdue	22,184	114	-	22,298
Overdue less than 30 days	947	12	-	959
Overdue 31-90 days	-	537	-	537
Overdue 91-360 days	-	-	1,235	1,235
Overdue more than 360 days	-	-	339	339
Total gross portfolio	23,131	663	1,574	25,368
Expected credit losses	(162)	(231)	(1,085)	(1,478)
Carrying amount	22,969	432	489	23,890
MRUB	30 September 2019 (unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Mortgage loans				
Not overdue	998	-	-	998
Overdue less than 30 days	20	-	-	20
Overdue 31-90 days	-	19	-	19
Overdue 91-360 days	-	-	44	44
Overdue more than 360 days	-	-	128	128
Total gross portfolio	1,018	19	172	1,209
Expected credit losses	(27)	(5)	(114)	(146)
Carrying amount	991	14	58	1,063

13. Loans to customers (continued)

MRUB	30 September 2019 (unaudited)		
	Stage 1	Stage 3	Total
Loans to corporations			
Not overdue	5	-	5
Overdue 91-360 days	-	1,124	1,124
Total gross portfolio	5	1,124	1,129
Expected credit losses	-	(1,124)	(1,124)
Carrying amount	5	-	5

The following table sets out information about the credit quality of loans to customers measured at amortised cost for the year ended 31 December 2018:

MRUB	31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
Cash loans				
Not overdue	129,753	17,930	-	147,683
Overdue less than 30 days	800	2,374	-	3,174
Overdue 31-90 days	-	1,765	-	1,765
Overdue 91-360 days	-	-	4,463	4,463
Total gross portfolio	130,553	22,069	4,463	157,085
Expected credit losses	(1,876)	(1,641)	(3,333)	(6,850)
Carrying amount	128,677	20,428	1,130	150,235

MRUB	31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
POS loans				
Not overdue	66,462	3,657	-	70,119
Overdue less than 30 days	734	790	-	1,524
Overdue 31-90 days	-	903	-	903
Overdue 91-360 days	-	-	2,759	2,759
Total gross portfolio	67,196	5,350	2,759	75,305
Expected credit losses	(1,004)	(574)	(2,107)	(3,685)
Carrying amount	66,192	4,776	652	71,620

MRUB	31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
Credit card loans				
Not overdue	17,972	47	-	18,019
Overdue less than 30 days	637	6	-	643
Overdue 31-90 days	-	351	-	351
Overdue 91-360 days	-	-	1,114	1,114
Total gross portfolio	18,609	404	1,114	20,127
Expected credit losses	(115)	(202)	(857)	(1,174)
Carrying amount	18,494	202	257	18,953

13. Loans to customers (continued)

MRUB	31 December 2018			Total
	Stage 1	Stage 2	Stage 3	
Mortgage loans				
Not overdue	1,232	-	-	1,232
Overdue less than 30 days	24	-	-	24
Overdue 31-90 days	-	17	-	17
Overdue 91-360 days	-	-	119	119
Overdue more than 360 days	-	-	124	124
Total gross portfolio	1,256	17	243	1,516
Expected credit losses	(32)	(6)	(150)	(188)
Carrying amount	1,224	11	93	1,328

MRUB	31 December 2018		Total
	Stage 1	Stage 3	
Loans to corporations			
Not overdue	3,243	-	3,243
Overdue less than 30 days	-	-	-
Overdue 31-90 days	-	-	-
Overdue 91-360 days	-	1,124	1,124
Total gross portfolio	3,243	1,124	4,367
Expected credit losses	(25)	(1,124)	(1,149)
Carrying amount	3,218	-	3,218

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

	30 September 2019 (Unaudited)		31 December 2018	
	Size	Term	Size	Term
	TRUB	Months	TRUB	Months
Cash loans	220.1	48	206.1	53
POS loans	43.2	19	42.2	19

	30 September 2019 (unaudited)			31 December 2018		
	Min. monthly payment*	Average credit limit	Term	Min. monthly payment*	Average credit limit	Term
	%	TRUB	Months	%	TRUB	Months
Credit cards	5%	79	60	5%	59	60

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

As at 30 September 2019 the average loan-to-value ratio for mortgage loans was 47% (31 December 2018: 50%).

13. Loans to customers (continued)

Total expected credit losses allowances by product classes to non-performing loans ("NPLs") by product classes:

	30 September 2019		31 December 2018	
	(Unaudited)		NPLs	Provision
	NPLs	coverage		
	MRUB	%	MRUB	%
Cash loans	7,009	126	4,463	153
POS loans	3,245	117	2,759	134
Credit card loans	1,574	94	1,114	105
Mortgage loans	172	85	243	77
Loans to corporations	1,124	100	1,124	102
Total	13,124	117	9,703	134

Non-performing loans are defined by the Group as loans and receivables overdue for more than 90 days. Due to change in the estimate of future cash flows from written off loans upwards, the Group revised its approach to writing off loans overdue for a period of more than 360 days and extended overdue period when the loans are written off from the balance of the Group. In according with the approach as of 31 December 2018 the NPLs would be accounted in amount MRUB 10,305. Some of the loans written off can be subsequently sold. Since 1 January 2018 NPL includes loans in stage 3.

The Group estimated expected credit losses on loans to customers in accordance with the accounting policy as described in Note 3(g)(vi) of the Group's annual consolidated financial statements for the year ended 31 December 2018.

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. If loan hasn't been in compliance – then it is transferred to the bucket it would have been in if no restructuring was made. As at 30 September 2019 renegotiated loans to retail customers amounted to MRUB 3,069 (31 December 2018: MRUB 3,582).

Changes in collection estimates could affect the impairment losses recognised. For example, to the extent that estimated future cash flows of loans differ by plus/minus one percent, the loan impairment allowance as at 30 September 2019 would be MRUB 2,554 lower/higher (31 December 2018: MRUB 2,454).

13. Loans to customers (continued)

Analysis of movements in impairment allowance

Movements in the loan impairment allowance by classes of loans to customers for the nine month period ended 30 September 2019 were as follows:

MRUB	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	3,052	2,423	7,571	13,046
Transfers:				
Transfer to Stage 1	224	(224)	-	-
Transfer to Stage 2	(265)	267	(2)	-
Transfer to Stage 3	(63)	(768)	831	-
Net remeasurement of loss allowance	(1,689)	1,075	821	207
New financial assets originated	1,948	-	-	1,948
Loans recovered which previously were written off	-	-	4,668	4,668
Write-offs	-	-	(4,555)	(4,555)
Unwinding of discount on present value of expected credit losses	-	-	194	194
Effect of foreign currency translation	(54)	(27)	(98)	(179)
Balance at 30 September	3,153	2,746	9,430	15,329

Movements in the loan impairment allowance by classes of loans to customers for the nine month period ended 30 September 2018 were as follows:

MRUB	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	2,929	2,737	6,676	12,342
Transfers:				
Transfer to Stage 1	164	(164)	-	-
Transfer to Stage 2	(292)	300	(8)	-
Transfer to Stage 3	(63)	(341)	404	-
Net remeasurement of loss allowance	(1,838)	79	3,179	1,420
New financial assets originated	1,911	-	-	1,911
Loans recovered which previously were written off	-	-	3,772	3,772
Write-offs	-	-	(7,045)	(7,045)
Unwinding of discount on present value of	-	-	195	195
Effect of foreign currency translation	23	6	30	59
Balance at 30 September	2,834	2,617	7,203	12,654

14. Investment securities

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Securities measured at fair value through other comprehensive income - debt instruments	13,117	35,910
Securities measured at amortized cost	<u>605</u>	<u>-</u>
	<u>13,722</u>	<u>35,910</u>

Debt securities measured at fair value through other comprehensive income

The debt securities at fair value through other comprehensive income as at 30 September 2019 and 31 December 2018 is presented below:

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Quoted debt securities		
Unpledged	10,895	33,288
Pledged as collateral under sale and repurchase agreements	<u>2,222</u>	<u>2,622</u>
	<u>13,117</u>	<u>35,910</u>

Investments securities are measured at FVOCI. As at 30 September 2019 expected credit loss allowance for investment securities of MRUB 13,117 is measured at an amount equal to 12-month ECL (as at 31 December 2018: MRUB 35,587 is measured at an amount equal to 12-month ECL and expected credit loss allowance for investment securities and MRUB 323 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 as at 30 September 2019:

MRUB	2019		
Investment securities	Stage 1	Stage 2	Total
Balance at 1 January	11	76	87
Net remeasurement of loss allowance	(1)	(76)	(77)
Foreign exchange and other movements	1	-	1
Balance at 30 September (unaudited)	<u>11</u>	<u>-</u>	<u>11</u>

The following table shows reconciliation from the opening to the closing balances of the expected credit loss allowance as at 30 September 2018:

MRUB	2018	
Investment securities	Stage 1	Total
Balance at 1 January	31	31
Net remeasurement of loss allowance	(10)	(10)
New financial assets purchased	88	88
Financial assets that have been derecognised	(36)	(36)
Balance at 30 September (unaudited)	<u>73</u>	<u>73</u>

14. Investment securities (continued)

The following table sets out information about the credit quality of investment securities using Moody's ratings or analogues of similar international agencies, including countries ratings of Moody's agency as at 30 September 2019 and as at 31 December 2018:

MRUB	30 Sep (unaudited)		31 Dec 2018		
	Stage 1	Total	Stage 1	Stage 2	Total
Investment securities					
Rated Aaa	2,222	2,222	-	-	-
Rated from Aa3- to Aa1+	-	-	1,708	-	1,708
Rated Baa	9,660	9,660	31,926	-	31,926
Rated from Ba3 to Ba1	793	793	1,477	-	1,477
Rated B3	442	442	476	-	476
Not rated	-	-	-	323	323
	13,117	13,117	35,587	323	35,910
Expected credit losses	(9)	(9)	(11)	(76)	(87)
Carrying amount	13,108	13,108	35,576	247	35,823
Carrying amount – fair value	13,117	13,117	35,587	323	35,910

Securities measured at amortized cost

The debt securities at amortized cost as at 30 September 2019 and 31 December 2018 are presented below:

MRUB	Interest rate	Final maturity	30 Sep 2019 (Unaudited)	31 Dec 2018
Corporate bonds	8,5%	April 2021	337	-
Corporate bonds	9,75%	October 2019	268	-
			605	-

The following table sets out information about the credit quality of investment securities using Moody's ratings or analogues of similar international agencies, including countries ratings of Moody's agency as at 30 September 2019 and as at 31 December 2018:

MRUB	30 Sep (unaudited)		31 Dec 2018	
	Stage 1	Total	Stage 1	Total
Investment securities				
Rated Baa	605	605	-	-
Carrying amount	605	605	-	-

15. Property, equipment and intangible assets

(a) Intangible assets

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Cost	9,555	8,722
Accumulated amortisation	(6,903)	(5,994)
Net book value	2,652	2,728

15. Property, equipment and intangible assets (continued)

(b) Property and equipment

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Cost	11,125	11,267
Accumulated depreciation	<u>(6,442)</u>	<u>(6,536)</u>
Net book value	<u>4,683</u>	<u>4,731</u>

Movements in the impairment allowance are as follows:

MRUB	2018
Balance at 1 January	69
Net charge	<u>(1)</u>
Balance at 30 September (unaudited)	<u>68</u>

(c) Right-of-use assets

MRUB	30 Sep 2019 (Unaudited)
Cost	2,240
Accumulated amortisation	<u>(443)</u>
Net book value	<u>1,797</u>

16. Other assets

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Settlements with suppliers	1,277	1,060
Taxes other than income tax	323	285
Prepaid expenses	93	61
Accrued income	11	11
Other	166	165
Expected credit losses	<u>(12)</u>	<u>(12)</u>
	<u>1,858</u>	<u>1,570</u>

As at 30 September 2019 the expected credit loss allowance for other assets are measured at an amount equal to stage 1.

Movements in the expected credit loss allowance are as follows:

MRUB	Note	2019	2018
Balance at 1 January		12	8
Net charge	8	18	40
Write-off		(17)	(41)
Effect of foreign currency translation		<u>(1)</u>	<u>-</u>
Balance at 30 September (unaudited)		<u>12</u>	<u>7</u>

17. Debt securities issued

MRUB	Maturity	Coupon rate	30 Sep 2019 (Unaudited)	31 Dec 2018
Unsecured RUB bond BO-06 issue of MRUB 5,000	September 2024/ September 2022*	Fixed, 8.65%	4,971	-
Unsecured KZT bond issue 2 of MKZT 6,769	February 2019	Fixed, 9.50%	-	1,265
Unsecured KZT bond issue 3 of MKZT 10,000	May 2020	Fixed, 15.00%	1,746	1,829
Unsecured KZT bond issue 4 of MKZT 8,000	October 2019	Fixed, 12.50%	1,404	1,475
Unsecured KZT bond issue 5 of MKZT 9,600	December 2022	Fixed, 13.00%	1,666	1,745
Unsecured KZT bond issue 6 of MKZT 15,696	December 2021	Fixed, 13.00%	2,677	2,813
			<u>12,464</u>	<u>9,127</u>

* Early redemption option date / Repayment date

In September 2019 the Group issued the unsecured RUB denominated bond with a fixed coupon rate which is valid until the final maturity.

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

In May 2017 the Group issued the unsecured KZT denominated bond issue 3 with a fixed coupon rate which is valid until the final maturity.

In October 2017 the Group issued the unsecured KZT denominated bond issue 4 with a fixed coupon rate which is valid until the final maturity.

In December 2018 the Group issued the unsecured KZT denominated bonds issue 5 and issue 6 with a fixed coupon rate which is valid until the final maturity.

18. Subordinated debt

MRUB	Maturity	Coupon rate	30 Sep 2019 (Unaudited)	31 Dec 2018
Loan participation notes issue of MUSD 200	April 2021/ April 2019*	Fixed, 10.50%	-	11,150
			<u>-</u>	<u>11,150</u>

* Early redemption option date / Repayment date

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 31 December 2018 the Group bought back the loan participation notes with a par value of MUSD 43 with result recognised in other operating income, net. In April 2019 the Group fully repaid loan participation notes issue at par with the prior consent of the CBR. The amount of early redemption was MUSD 200.

19. Due to banks and other financial institutions

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Unsecured loans	12,616	12,181
Secured loans	2,136	2,470
Other balances	1,118	910
	<u>15,870</u>	<u>15,561</u>

As at 30 September 2019 the Group pledged and transferred investment securities with a carrying amount of MRUB 2,136 (Note 14) as collateral for secured loans. These financial assets might be repledged or resold by counterparties in the absence of any default by the Group, but the counterparty had an obligation to return the securities when the contract matures. The Group determined that it retained substantially all the risks and rewards related to these securities and therefore did not derecognise them. The fair value of the transferred investment securities and related secured loans was equal to MRUB 2,222 (31 December 2018: MRUB 2,622).

20. Current accounts and deposits from customers

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Retail		
Term deposits	152,782	150,977
Current accounts and demand deposits	54,989	58,338
Certificates of deposit	2,786	1,386
	<u>210,557</u>	<u>210,701</u>
Corporate		
Term deposits	11,647	10,909
Current accounts and demand deposits	329	480
	<u>11,976</u>	<u>11,389</u>
	<u>222,533</u>	<u>222,090</u>

During the year ended 30 September 2019 the Group issued to individuals unsecured bank certificates of deposit with a total nominal value of MRUB 2,786 and maturity less than one year and from one to two years, which bear a fixed rate of 15% per annum paid at maturity (31 December 2018: 1-year bank certificates of deposit with a total nominal value of MRUB 1,386, which bear a fixed rate of 14-16% per annum paid at maturity).

21. Other liabilities

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Settlements with suppliers	2,954	2,867
Lease liabilities	1,868	-
Accrued employee compensation	1,545	1,813
Provision for return of insurance fee	809	856
Other taxes payable	423	414
Accrued payments to the Deposits Insurance Agency	289	286
Provision for litigations	32	19
Provision for restructuring	7	7
Provisions for credit losses from loan commitments	4	1
Other	293	221
	<u>8,224</u>	<u>6,484</u>

21. Other liabilities (continued)

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

MRUB	2019	2018
Balance at 1 January	856	756
Net charge	2,110	1,937
Amounts returned	<u>(2,157)</u>	<u>(1,765)</u>
Balance at 30 September (unaudited)	<u>809</u>	<u>928</u>

Movements in the provision for litigations were as follows:

MRUB	2019	2018
Balance at 1 January	19	20
Net charge	16	18
Amounts paid	<u>(3)</u>	<u>(9)</u>
Balance at 30 September (unaudited)	<u>32</u>	<u>29</u>

Movements in the provision for restructuring were as follows:

MRUB	2019	2018
Balance at 1 January	7	38
Amounts related to offices closed	<u>-</u>	<u>(2)</u>
Balance at 30 September (unaudited)	<u>7</u>	<u>36</u>

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

MRUB	2019	2018
Balance as at 1 January	1	15
Net charge	8	3
Effect of foreign currency translation	<u>-</u>	<u>1</u>
Balance at 30 September (unaudited)	<u>4</u>	<u>37</u>

As at 30 September 2019 impairment allowances for credit losses from loan commitments are measured at an amount equal to 12-month ECL.

22. Financial instruments

Liquidity risk

The following table shows assets and liabilities as at 30 September 2019 and 31 December 2018 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 September 2019 (Unaudited)							31 December 2018						
	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	41,007	-	-	-	-	-	41,007	28,977	-	-	-	-	-	28,977
Placements with banks and other financial institutions	-	2,546	277	-	-	4,517	7,340	-	-	516	-	-	4,677	5,193
Loans to customers	27,457	44,272	128,325	114,654	1,788	-	316,496	24,913	42,501	123,241	112,610	2,194	-	305,459
Positive fair value of derivative instruments	-	-	384	-	-	-	384	21	-	123	-	-	-	144
Investment securities	9,979	-	2,373	1,835	-	-	14,187	31,932	20	2,079	2,640	-	-	36,671
Property, equipment and intangible assets	-	-	-	-	-	9,132	9,132	-	-	-	-	-	7,459	7,459
Assets classified as held for sale	-	-	177	-	-	-	177	-	-	212	-	-	-	212
Investment in associate	-	-	-	-	-	204	204	-	-	-	-	-	228	228
Current income tax receivable	-	-	-	3	-	-	3	5	-	-	-	-	-	5
Deferred tax asset	-	-	-	-	-	2,985	2,985	-	-	-	-	-	2,750	2,750
Other assets	1,191	397	132	137	1	-	1,858	1,101	190	139	140	-	-	1,570
Total assets	79,634	47,215	131,668	116,629	1,789	16,838	393,773	86,949	42,711	126,310	115,390	2,194	15,114	388,668
Liabilities														
Debt securities issued	1,412	506	2,383	11,108	-	-	15,409	-	1,279	2,454	7,936	-	-	11,669
Subordinated debt	-	-	-	-	-	-	-	-	-	11,492	-	-	-	11,492
Due to banks and other financial institutions	4,434	2,822	6,212	3,116	-	-	16,584	3,530	980	11,648	-	-	-	16,158
Current accounts and deposits from customers	22,857	18,703	106,682	73,592	10,648	-	232,482	45,419	32,997	99,455	40,588	9,473	-	227,932
- Current accounts and deposits from individuals	21,428	14,316	103,376	69,862	10,648	-	219,630	43,743	31,758	90,692	40,229	9,473	-	215,895
- Current accounts and deposits from corporations	1,429	4,387	3,306	3,730	-	-	12,852	1,676	1,239	8,763	359	-	-	12,037
Negative fair value of derivative instruments	-	-	776	-	-	-	776	20	-	34	-	-	-	54
Current income tax liability	571	-	-	-	-	-	571	238	-	-	-	-	-	238
Other liabilities	3,626	1,289	1,929	1,621	461	-	8,926	3,317	1,282	1,654	231	-	-	6,484
Total liabilities	32,900	23,320	117,982	89,437	11,109	-	274,748	52,524	36,538	126,737	48,755	9,473	-	274,027
Net balance position	46,734	23,895	13,686	27,192	(9,320)	16,838	119,025	34,425	6,173	(427)	66,635	(7,279)	15,114	114,641
Irrevocable credit related commitments*	4,374	-	-	-	-	-	4,374	6,199	-	-	-	-	-	6,199
Undrawn credit lines	-	-	2,858	-	-	-	2,858	-	210	-	-	-	-	210
Net off-balance position	4,374	-	2,858	-	-	-	7,232	6,199	210	-	-	-	-	6,409
Cumulative net position	42,360	66,255	77,083	104,275	94,955	111,793	28,226	34,189	33,762	100,397	93,118	108,232	-	-

* Other credit related commitments are disclosed in Note 23

22. Financial instruments (continued)

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

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Less than 1 month	62,643	87,891
From 1 to 3 months	14,233	31,539
From 3 to 12 months	96,012	84,225
From 1 to 5 years	<u>46,742</u>	<u>12,240</u>
	<u>219,630</u>	<u>215,895</u>

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 investment securities was made by using market quotes in the range of 100.0-101.0% from notional amount for investment securities issued in RUB;
- The estimation of the fair value of debt securities issued was made by using market quotes in the range of 101.1% from notional amount for debt securities issued in RUB and 100.0-104.9% from notional amount for debt securities issued in KZT;

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 16.7-19.7% in RUB and 23.7-34.1% in KZT. The estimation of the fair value of mortgage loans was made by using discounting future cash flows at discount rates of 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 1.9-4.0% in EUR, 1.2-6.7% in USD, 6.9-7.4% in RUB and 8.5% in KZT;
- The estimation of the fair value of current accounts and deposits from customers was made by using discounting future cash flows at discount rates of 6.8% in RUB, 0.2-1.9% in USD, 0.8%-1.3% in EUR and 7.0-10.4% in KZT;
- The Group uses valuation models for determining the fair value of financial instruments at fair value through profit or loss based on FX spot rates as set by the CBR, benchmark interest rates and other inputs.

The Group measures fair values for financial instruments recorded in the condensed consolidated interim financial statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

22. Financial instruments (continued)

· 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.

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement was categorised as at 30 September 2019:

MRUB	Carrying amount (Unaudited)	Fair value (unaudited)			Total
		Level 1	Level 2	Level 3	
Assets					
Investment securities	605	608	-	-	608
Loans to customers	255,434	-	-	256,887	256,887
Liabilities					
Debt securities issued	12,464	5,025	7,668	-	12,693
Due to banks and other financial institutions	15,870	-	16,032	-	16,032
Current accounts and deposits from customers	222,533	-	226,636	-	226,636

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 31 December 2018:

MRUB	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Assets					
Loans to customers	245,354	-	-	256,298	256,298
Liabilities					
Debt securities issued	9,127	-	9,161	-	9,161
Subordinated debt	11,150	11,257	-	-	11,257
Due to banks and other financial institutions	15,561	-	16,065	-	16,065
Current accounts and deposits from customers	222,090	-	222,742	-	222,742

The estimates of fair values of financial assets other than investment securities and 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 September 2019 and 31 December 2018 are not materially different from their carrying values.

The table below analyses financial instruments measured at fair value as at 30 September 2019, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	Level 1	Level 2	Total
	(Unaudited)		
Assets			
Positive fair value of derivative instruments	-	384	384
Investment securities	11,882	1,235	13,117
Liabilities			
Negative fair value of derivative instruments	-	776	776

The table below analyses financial instruments measured at fair value at 31 December 2018, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	Level 1	Level 2	Total
Assets			
Positive fair value of derivative instruments	-	144	144
Investment securities	33,604	2,306	35,910
Liabilities			
Negative fair value of derivative instruments	-	54	54

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 Sep 2019 (Unaudited)	31 Dec 2018
Credit card commitments	58,282	32,937
POS and cash loan commitments	4,374	6,199
Undrawn credit lines	2,858	210
	<u>65,514</u>	<u>39,346</u>

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. 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.

24. Contingencies

The Bank is currently under routine tax inspection for the tax periods covering the years 2014-2016. The tax authorities are challenging certain financing transactions undertaken by the Bank in those years. The Bank is in the process of discussing the challenges with the tax authorities. The Bank believes that these transactions were fully in compliance with Russian legal and tax legislation. The tax authorities have not yet provided their final position on this matter. As such, the final amount of such tax risk that ultimately may be claimed by the tax authorities is uncertain at this point in time. The effect, however, if claimed, would be substantial, but based on Management's assessment the imposition of additional tax will not have a significant impact on the current business operations and financial stability of the Bank.

25. 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	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018
Interest expense	-	(2)
General administrative expenses	-	(96)
	<u>-</u>	<u>(98)</u>

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

MRUB	9 month period ended 30 Sep 2019 (Unaudited)	31 Dec 2018 MRUB
Other liabilities	-	(96)
	<u>-</u>	<u>(96)</u>

(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	9 month period ended 30 Sep 2019	9 month period ended 30 Sep 2018
Interest income	10	-
Interest expense	(496)	(765)
Fee and commission income	1,133	1,071
Gain/(loss) from foreign exchange revaluation of financial assets and liabilities	172	(371)
Net loss on spot transactions and derivatives	(674)	-
Other operating income	22	189
General administrative expenses	(1,216)	(1,132)
	<u>(1,049)</u>	<u>(1,008)</u>

25. 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 Sep 2019 (Unaudited)	31 Dec 2018
Cash and cash equivalents	551	60
- <i>In EUR</i>	511	60
- <i>In CZK</i>	40	-
Placements with banks and other financial institutions	277	447
- <i>In EUR</i>	277	447
Loans to customers	5	-
- <i>In RUB</i>	5	-
Positive fair value of derivative instruments	384	123
- <i>In USD/GBP/EUR /KZT</i>	384	123
Property, equipment and intangible assets	940	942
- <i>In RUB</i>	354	379
- <i>In KZT</i>	586	563
Other assets	217	9
- <i>In EUR</i>	45	-
- <i>In RUB</i>	171	9
- <i>In CZK</i>	1	-
Debt securities issued	(861)	-
- <i>In KZT</i>	(861)	-
Subordinated debt	-	(4,027)
- <i>In USD</i>	-	(4,027)
Due to banks and other financial institutions	(6,616)	(7,467)
- <i>In EUR</i>	(1,787)	(1,190)
- <i>In RUB</i>	(3,072)	(1,947)
- <i>In USD</i>	(1,716)	(4,330)
- <i>In KZT</i>	(41)	-
Current accounts and deposits from customers	(1,107)	(7)
- <i>In RUB</i>	(140)	(7)
- <i>In USD</i>	(967)	-
Negative fair value of derivative instruments	(776)	(34)
- <i>In USD/GBP/EUR</i>	(776)	(34)
Other liabilities	(871)	(757)
- <i>In EUR</i>	(195)	(287)
- <i>In RUB</i>	(296)	(470)
- <i>In CZK</i>	(380)	-
	<u>(7,857)</u>	<u>(10,711)</u>

As at 30 September 2019 placements with banks and other financial institutions shown above included term deposits in the amount of MRUB 277 at an effective interest rate of 0.0% with a maturity of three months to one year (31 December 2018: term deposits in the amount of MRUB 447 at an effective interest rate of 5.3% with a maturity of three months to one year).

As at 30 September 2019 loans to customers shown above included corporation loan in the amount of MRUB 5 at an effective interest rate of 9.0% with a maturity of three months to one year (31 December 2018: none).

As at 30 September 2019 debt securities issued amounted to MRUB 861 at an effective interest rate of 13.0% with the maturity from three months to one year (31 December 2018: none).

25. Related party transactions (continued)

As at 31 December 2018 subordinated debt amounted to MRUB 4,027 at an effective interest rate of 10.2% with the maturity from three months to one year. As at 30 September 2019 - none.

As at 30 September 2019 due to banks and other financial institutions amounted to MRUB 6,616 at an effective interest rate of 4.87% with the maturity less than one month and from one month to five years (31 December 2018: MRUB 7,467 at an effective interest rate of 6.79% with the maturity less than one month and from one month to one years).

As at 30 September 2019 current accounts and deposits from customers included other balances of MRUB 1,107 at an effective interest rate of 6.78% with the maturity less than one month and from one year to five years (31 December 2018: other balances of MRUB 7 with the maturity less than one month).

(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 571 (nine month period ended 30 September 2018: MRUB 544) represent compensation for the period.

26. 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 04 July 2018 No 646-P On methodology of calculation of own funds (capital) of the credit organisations (Basel III). As at 30 September 2019, 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 2018: 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.

26. Capital management (continued)

The calculation of capital adequacy of the Group based on requirements set by the CBR as at 30 September 2019 and 31 December 2018 was as follows:

	30 Sep 2019 (Unaudited)	31 Dec 2018
MRUB		
Risk-weighted assets (N20.0)	479,734	436,409
Risk-weighted assets (N20.1, N20.2)	481,717	437,975
Core capital	52,806	44,841
Primary capital	52,806	44,841
Additional capital	3,088	11,971
Total capital	55,894	56,812
Core capital adequacy ratio N20.1	11.0%	10.2%
Primary capital adequacy ratio N20.2	11.0%	10.2%
Total capital adequacy ratio N20.0	11.7%	13.0%

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 September 2019 and 31 December 2018 was as follows:

	30 Sep 2019 (Unaudited)	31 Dec 2018
MRUB		
Risk weighted assets	306,822	288,117
Tier I capital	71,776	63,086
Tier II capital	-	5,024
Total capital	71,776	68,110
Tier I ratio	23.4%	21.9%
Capital Adequacy Ratio	23.4%	23.6%

As at 30 September 2019 and 31 December 2018 the Group was fully in compliance with the capital regulations described above.

27. 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
9 month period ended						
30 September 2019 (unaudited)						
Interest income calculated using effective interest rate	9,117	3,552	27,526	2,269	-	42,464
Interest expense	(1,635)	(551)	(10,104)	(486)	(110)	(12,886)
Net interest income	7,482	3,001	17,422	1,783	(110)	29,578
Fee and commission income	2,296	2,166	2,813	2,557	189	10,021
Fee and commission expense	(246)	(1,349)	(879)	(280)	(1,303)	(4,057)
Net fee and commission income	2,050	817	1,934	2,277	(1,114)	5,964
Other operating (expense)/income, net	(152)	(25)	(460)	(31)	733	65
Operating income	9,380	3,793	18,896	4,029	(491)	35,607
(Reversal for)/charge of impairment losses	(640)	39	(1,667)	113	56	(2,099)
General administrative expenses	-	-	-	-	(16,725)	(16,725)
Operating expenses	(640)	39	(1,667)	113	(16,669)	(18,824)
Profit before tax	8,740	3,832	17,229	4,142	(17,160)	16,783
Income tax expense	-	-	-	-	(3,387)	(3,387)
Profit for the period	8,740	3,832	17,229	4,142	(20,547)	13,396

27. Segment analysis (continued)

MRUB	POS loans	Credit card loans	Cash loans	Other segment	Unallo- cated	Total
9 month period ended 30 September 2018 (unaudited)						
Interest income calculated using effective interest rate	9,457	3,108	24,525	2,658	-	39,748
Interest expense	(2,257)	(1,239)	(8,535)	(1,387)	-	(13,418)
Net interest income	7,200	1,869	15,990	1,271	-	26,330
Fee and commission income	1,623	1,593	4,176	1,294	254	8,940
Fee and commission expense	(266)	(752)	(558)	(630)	(761)	(2,967)
Net fee and commission income	1,357	841	3,618	664	(507)	5,973
Other operating (expense)/income, net	42	-	47	(840)	133	(618)
Operating income	8,599	2,710	19,655	1,095	(374)	31,685
Impairment losses	(1,551)	(157)	(1,227)	(396)	(96)	(3,427)
General administrative expenses	-	-	-	-	(15,571)	(15,571)
Operating expenses	(1,551)	(157)	(1,227)	(396)	(15,667)	(18,998)
Profit before tax	7,048	2,553	18,428	699	(16,041)	12,687
Income tax expense	-	-	-	-	(2,532)	(2,532)
Profit for the period	7,048	2,553	18,428	699	(18,573)	10,155
Segment assets	POS loans	Credit card	Cash loans	Other	Total	
Carrying amount at 30 September 2019 (unaudited)	71,843	23,890	158,633	45,560	299,926	
Carrying amount at 31 December 2018	71,620	18,953	150,235	48,525	289,333	

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

MRUB	30 Sep 2019 (Unaudited)	31 Dec 2018
Total segment assets	299,926	289,333
Cash and cash equivalents (excluded from other segments)	15,439	23,760
Placements with banks and other financial institutions	2,490	2,473
Property, equipment and intangible assets	9,132	7,459
Assets classified as held for sale	177	212
Investment in associate	204	228
Current income tax receivable	3	5
Deferred tax asset	2,985	2,750
Other assets	1,858	1,570
Total assets	332,214	327,790

27. Segment analysis (continued)

(b) Geographical segments

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
9 month period ended 30 September 2019 (unaudited)				
Interest income calculated using effective interest rate	30,896	11,765	(197)	42,464
Interest expense	(9,429)	(3,654)	197	(12,886)
Net interest income	21,467	8,111	-	29,578
Fee and commission income	6,804	3,217	-	10,021
Fee and commission expense	(3,743)	(314)	-	(4,057)
Net fee and commission income	3,061	2,903	-	5,964
Other operating income/(expense), net	3,627	(634)	(2,928)	65
Operating income	28,155	10,380	(2,928)	35,607
Impairment losses	(2,409)	310	-	(2,099)
General administrative expenses	(12,573)	(4,152)	-	(16,725)
Operating expenses	(14,982)	(3,842)	-	(18,824)
Profit before tax	13,173	6,538	(2,928)	16,783
Income tax expense	(2,055)	(1,332)	-	(3,387)
Profit for the period	11,118	5,206	(2,928)	13,396
MRUB				
9 month period ended 30 September 2018 (unaudited)				
Interest income calculated using effective interest rate	30,121	9,643	(16)	39,748
Interest expense	(10,548)	(2,886)	16	(13,418)
Net interest income	19,573	6,757	-	26,330
Fee and commission income	6,739	2,201	-	8,940
Fee and commission expense	(2,734)	(233)	-	(2,967)
Net fee and commission income	4,005	1,968	-	5,973
Other operating income/(expense), net	226	77	(921)	(618)
Operating income	23,804	8,802	(921)	31,685
Impairment losses	(2,876)	(551)	-	(3,427)
General administrative expenses	(11,802)	(3,769)	-	(15,571)
Operating expenses	(14,678)	(4,320)	-	(18,998)
Profit before tax	9,126	4,482	(921)	12,687
Income tax expense	(1,603)	(929)	-	(2,532)
Profit for the period	7,523	3,553	(921)	10,155

27. Segment analysis (continued)

Segment assets

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Carrying amount at 30 September 2019 (unaudited)	270,643	66,734	(5,163)	332,214
Carrying amount at 31 December 2018	268,166	67,063	(7,439)	327,790

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
30 September 2019				
Cash and cash equivalents	31,509	9,490	(2)	40,997
Placements with banks and other financial institutions	9,705	998	(3,385)	7,318
Loans to customers	205,711	49,723	-	255,434
Positive fair value of derivative instruments	-	384	-	384
Investment securities	10,265	3,457	-	13,722
Assets classified as held for sale	177	-	-	177
Property, equipment and intangible assets	7,224	1,908	-	9,132
Investment in associate	1,980	-	(1,776)	204
Current income tax receivable	3	-	-	3
Deferred tax asset	2,915	70	-	2,985
Other assets	1,154	704	-	1,858
Total assets	270,643	66,734	(5,163)	332,214
Debt securities issued	4,971	7,493	-	12,464
Due to banks and other financial institutions	4,796	14,461	(3,387)	15,870
Current accounts and deposits from customers	193,680	28,853	-	222,533
Negative fair value of derivative instruments	-	776	-	776
Current income tax liability	-	571	-	571
Other liabilities	6,256	1,968	-	8,224
Total liabilities	209,703	54,122	(3,387)	260,438

27. Segment analysis (continued)

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
31 December 2018				
Cash and cash equivalents	17,388	11,577	-	28,965
Placements with banks and other financial institutions	9,299	1,557	(5,663)	5,193
Loans to customers	196,979	48,375	-	245,354
Positive fair value of derivative instruments	-	144	-	144
Investment securities	32,852	3,058	-	35,910
Assets classified as held for sale	212	-	-	212
Property, equipment and intangible assets	5,897	1,562	-	7,459
Investment in associate	2,004	-	(1,776)	228
Current income tax receivable	-	5	-	5
Deferred tax asset	2,677	73	-	2,750
Other assets	858	712	-	1,570
Total assets	268,166	67,063	(7,439)	327,790
Debt securities issued	-	9,127	-	9,127
Subordinated debt	11,150	-	-	11,150
Due to banks and other financial institutions	3,476	17,748	(5,663)	15,561
Current accounts and deposits from customers	195,125	26,965	-	222,090
Negative fair value of derivative instruments	-	54	-	54
Current income tax liability	238	-	-	238
Other liabilities	4,678	1,806	-	6,484
Total liabilities	214,667	55,700	(5,663)	264,704

28. Subsequent events

On 7 November 2019 the Group issued perpetual subordinated loan participation notes with a nominal value of USD 200 million. The notes are non-callable for the first 5 years and 3 months. The notes bear a fixed interest rate of 8.8% p.a. payable quarterly until 7 February 2025.

Chairman of the Board of Management

Y. Andresov



Chief Financial Officer

I. Kolikova