

SB JSC “Bank Home Credit”

Condensed Interim
Financial Information
for the nine months ended
30 September 2019

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SB JSC "Bank Home Credit"
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income
for the nine months ended 30 September 2019

	Note	Unaudited nine-month period ended 30 Sep 2019 KZT'000	Unaudited nine-month period ended 30 Sep 2018 KZT'000	Unaudited three-month period ended 30 Sep 2019 KZT'000	Unaudited three-month period ended 30 Sep 2018 KZT'000
Interest income	4	69,027,158	52,844,691	23,749,943	19,406,082
Interest expense	4	(21,440,809)	(15,817,930)	(7,276,805)	(5,830,576)
Net interest income		47,586,349	37,026,761	16,473,138	13,575,506
Fee and commission income	5	18,877,016	12,060,245	8,408,143	4,903,153
Fee and commission expense	5	(1,844,801)	(1,275,831)	(682,536)	(462,620)
Net fee and commission income		17,032,215	10,784,414	7,725,607	4,440,533
Net (loss) gain on financial instruments at fair value through profit or loss	6	(3,985,150)	476,772	(564,363)	1,566,113
Net foreign exchange loss		(103,725)	(585,840)	(1,005,578)	(1,007,087)
Other operating income, net		370,904	533,743	139,662	325,639
Operating income		60,900,593	48,235,850	22,768,466	18,900,704
Impairment recoveries/(losses) on loans to customers		1,927,021	(2,828,643)	(639,012)	(1,685,541)
Impairment (losses)/recoveries on other assets		(107,755)	(190,123)	(5,198)	8,276
General administrative expenses	7	(24,357,364)	(20,656,490)	(7,977,021)	(6,350,481)
Profit before income tax		38,362,495	24,560,594	14,147,235	10,872,958
Income tax expense	8	(7,814,784)	(5,089,579)	(2,879,746)	(2,229,634)
Profit and total comprehensive income for the period		30,547,711	19,471,015	11,267,489	8,643,324
Other comprehensive income, net of income tax					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Movement in fair value reserve (debt instruments):					
- Net change in fair value		(50,326)	20,251	(98,809)	2,725
- Net change in expected credit losses		4,364	-	(5,941)	-
Other comprehensive income for the period, net of income tax		(45,962)	20,251	(104,750)	2,725
Total comprehensive income for the period		30,501,749	19,491,266	11,162,739	8,646,049

The condensed interim financial information as set out on pages 3 to 30 was approved by the Management on 29 November 2019 and was signed on its behalf by:


Karel Horak
Chairman of the Board




Sandugash Shakenova
Acting Chief Accountant

SB JSC "Bank Home Credit"
Condensed Interim Statement of Financial Position as at 30 September 2019

		Unaudited	
	Note	30 September 2019	31 December 2018*
		KZT'000	KZT'000
ASSETS			
Cash and cash equivalents	9	61,472,697	70,259,604
Placements with banks		1,669,457	2,473,653
Loans to retail customers	10	299,365,557	267,900,659
Investment securities			
- Pledged under sale and repurchase agreements		13,377,905	9,458,245
- Not pledged under sale and repurchase agreements		7,438,390	7,474,998
Financial instruments at fair value through profit or loss for the period	11	2,309,684	795,930
Property, equipment and intangible assets		11,487,379	8,652,491
Other assets		4,663,091	4,377,829
Total assets		401,784,160	371,393,409
LIABILITIES			
Financial instruments at fair value through profit or loss	11	4,670,849	301,083
Deposits and balances from banks	12	63,384,864	62,372,082
Current accounts and deposits from customers			
- Current accounts and deposits from retail customers	13	86,361,710	79,227,545
- Current accounts and deposits from corporate customers	13	70,579,829	62,429,017
Debt securities issued	14	45,115,726	50,542,872
Other borrowed funds	15	23,678,032	35,915,808
Certificates of deposit		16,770,668	7,673,418
Lease liabilities	2(e)	3,385,972	-
Other liabilities		11,905,231	10,002,039
Total liabilities		325,852,881	308,463,864
EQUITY			
Share capital	16	5,199,503	5,199,503
Retained earnings		70,704,374	57,656,678
Fair value reserve		27,402	73,364
Total equity		75,931,279	62,929,545
Total liabilities and equity		401,784,160	371,393,409

*The Bank has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(e).

	Unaudited Nine months ended 30 September 2019 KZT'000	Unaudited Nine months ended 30 September 2018* KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	68,401,778	50,575,322
Interest payments	(19,071,858)	(12,996,196)
Fee and commission receipts	18,686,284	12,365,393
Fee and commission payments	(2,030,411)	(1,163,784)
Net payments from financial instruments at fair value through profit or loss	(1,129,138)	(1,053,160)
Net receipts from foreign exchange	4,484	838,588
Other income receipts, net	370,904	533,743
General administrative expenses	(21,459,874)	(17,888,798)
Increase in operating assets		
Loans to retail customers	(30,210,785)	(52,035,604)
Placements with banks	748,845	217
Investment securities	(3,752,284)	(3,645,088)
Other assets	(378,720)	(1,119,171)
Increase in operating liabilities		
Current accounts and deposits from customers	14,170,304	33,144,620
Deposits and balances from banks	780,594	9,228,054
Certificates of deposit	9,107,273	878,058
Other liabilities	676,649	450,669
Net cash provided from operating activities before income tax paid	34,914,045	18,112,863
Income tax paid	(4,365,296)	(5,007,130)
Cash flows provided from operating activities	30,548,749	13,105,733
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(2,236,142)	(3,478,654)
Proceeds from sale of property and equipment	21,221	30,103
Cash flows used in investing activities	(2,214,921)	(3,448,551)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of other borrowed funds	8,567,000	18,886,752
Repayments of other borrowed funds	(20,458,350)	-
Issue of debt securities	52,450	-
Repayment of debt securities	(6,768,502)	-
Dividends paid	(17,500,015)	(5,000,002)
Payments on lease liabilities	(782,506)	-
Net cash (used in)/from financing activities	(36,889,923)	13,886,750
Net (decrease)/increase in cash and cash equivalents	(8,556,095)	23,543,932
Effect of changes in exchange rates on cash and cash equivalents	(230,812)	775,725
Cash and cash equivalents at the beginning of the period	70,259,604	14,211,027
Cash and cash equivalents as at the end of the period (Note 9)	61,472,697	38,530,684

*The Bank has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2(e).

SB JSC "Bank Home Credit"
Condensed Interim Statement of Changes in Equity for the nine months ended 30 September 2019

KZT'000	Share capital	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2018	5,199,503	(33,922)	39,965,763	45,131,344
Impact of adopting IFRS 9 at 1 January 2018 (unaudited)	-	-	(1,113,769)	(1,113,769)
Restated balance as at 1 January 2018 (unaudited)	5,199,503	(33,922)	38,851,994	44,017,575
Total comprehensive income for the period (unaudited)				
Profit for the period (unaudited)	-	-	19,471,015	19,471,015
Other comprehensive income for the period (unaudited)				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Movement in fair value reserve (debt instruments) (unaudited)				
- Net change in fair value (unaudited)	-	20,251	-	20,251
Total other comprehensive income for the period (unaudited)	-	20,251	-	20,251
Total comprehensive income for the period (unaudited)	-	20,251	19,471,015	19,491,266
Dividends declared and paid (Note 16(b)) (unaudited)		-	(5,000,002)	(5,000,002)
Balance at 30 September 2018 (unaudited)	5,199,503	(13,671)	53,323,007	58,508,839

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

SB JSC "Bank Home Credit"
Condensed Interim Statement of Changes in Equity for the nine months ended 30 September 2019

KZT'000	Share capital	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2019	5,199,503	73,364	57,656,678	62,929,545
Total comprehensive income for the period (unaudited)				
Profit for the period (unaudited)	-	-	30,547,711	30,547,711
Other comprehensive income for the period (unaudited)				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Movement in fair value reserve (debt instruments) (unaudited)				
- Net change in fair value (unaudited)	-	(50,326)	-	(50,326)
- Net change in expected credit losses (unaudited)	-	4,364	-	4,364
Total other comprehensive income for the period (unaudited)	-	(45,962)	-	(45,962)
Total comprehensive income for the period (unaudited)	-	(45,962)	30,547,711	30,501,749
Transactions with owners, recorded directly in equity (unaudited)				
Dividends declared and paid (Note 16(b)) (unaudited)	-	-	(17,500,015)	(17,500,015)
Balance at 30 September 2019 (unaudited)	5,199,503	27,402	70,704,374	75,931,279

1 Introduction

(a) Organisation and operations

Private Bank FTD was established in 1993 and subsequently renamed to Bank Alma-Ata in December 1994. In December 1995, the Bank was re-registered as Open Joint Stock Company International Bank Alma-Ata. Due to a change in legislation, the Bank was re-registered as a joint stock company in November 2004. On 4 November 2008, International Bank Alma-Ata JSC was renamed to Home Credit Bank JSC. In January 2013 the Bank was acquired by Home Credit and Finance Bank incorporated in the Russian Federation, in this connection the Bank was renamed to Subsidiary Bank Joint Stock Company Home Credit and Finance Bank (short name SB JSC "Bank Home Credit") on 4 April 2013.

The principal activities of the Bank are retail lending, deposit taking and customer accounts maintenance, issuing guarantees, cash and settlement operations and foreign exchange. The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK"). The Bank holds license #1.2.36/40 dated 11 January 2016 to carry out banking activity and activity on securities market.

The registered address of the Bank's head office is 248, Nursultan Nazarbayev Avenue, 050059, Almaty, Republic of Kazakhstan. As at 30 September 2019, the Bank had 17 branches and 45 bank offices, unaudited (31 December 2018: 17 branches and 45 bank offices).

Debt securities issued by the Bank are listed on Kazakhstan Stock Exchange ("KASE").

As at 30 September 2019 the Bank was 100% owned by Home Credit and Finance Bank incorporated in the Russian Federation. The ultimate controlling owner of the Bank is Petr Kellner, who exercises control over Home Credit and Finance Bank through PPF Financial Holdings B.V. registered in the Netherlands.

(b) Kazakhstan business environment

The Bank's operations are primarily located in Kazakhstan. Consequently, the Bank is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. In addition, the depreciation of the Kazakhstan tenge which took place during 2015, and a reduction in the global price of oil, have increased the level of uncertainty in the business environment. The condensed interim financial information reflects management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

This condensed interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Bank since the last annual financial statements as at and for the year ended 31 December 2018. This condensed interim financial information does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

This is the first set of the Bank's financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note 2(e).

2 Basis of preparation, continued

(b) Basis of measurement

The condensed interim financial information is prepared on the historical cost basis except that financial instruments at fair value through profit or loss and investment securities measured at fair value through other comprehensive income are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan Tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of this condensed interim financial information.

Condensed interim financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

Preparing the condensed interim financial information requires management to make judgements, estimates assumptions that affect the application of accounted policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates.

The significant judgements made by management in applying the Bank's accounting policies are the key sources of estimation uncertainty were the same as those described in the last annual financial statements except for the new significant judgements that applied to the lessee's accounting under IFRS 16 as disclosed in Note 2(e).

(e) Changes in accounting policies and presentation

Except as described below, the accounting policies applied in this condensed interim financial information are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Bank's financial statements as at and for the year ending 31 December 2019.

IFRS 16

The Bank has initially adopted IFRS 16 *Leases* from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Bank, 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.

The Bank 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.

Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Bank 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 a period of time in exchange for consideration.

On transition to IFRS 16, the Bank elected to apply the 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.

2 Basis of preparation, continued

(e) Changes in accounting policies and presentation, continued

IFRS 16 Leases, continued

Definition of a lease, continued

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessee

The Bank leases mainly property items.

As a lessee, the Bank 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 Bank recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Bank presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

KZT'000	Property, plant and equipment	
	Real estate	Total
Balance at 1 January 2019, unaudited	3,593,498	3,593,498
Balance at 30 September 2019, unaudited	3,409,024	3,409,024

The Bank presents lease liabilities in "Lease liabilities" in the condensed interim statement of financial position.

(i) Significant accounting policies

The Bank 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.

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 Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Bank has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Bank is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

2 Basis of preparation, continued

(e) Changes in accounting policies and presentation, continued

IFRS 16 Leases, continued

As a lessee, continued

(ii) Transition

Previously, the Bank classified property leases as operating leases under IAS 17. The leases typically run for a period of 3 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

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

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

- elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term;
- 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.

(iii) Impacts on transition

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

KZT'000	<u>Unaudited</u> <u>1 January 2019</u>
Right-of-use assets presented in property, plant and equipment	3,593,498
Lease liabilities	3,593,498

When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 12.39%.

KZT'000	<u>Unaudited</u> <u>1 January 2019</u>
Operating lease commitment at 31 December 2018	(6,363,850)
Effect of discounting using the incremental borrowing rate at 1 January 2019	2,630,016
Finance lease liabilities recognised as at 31 December 2018	-
– Recognition exemption for leases of low-value assets	87,175
– Recognition exemption for leases with less than 12 months of lease term at transition	53,161
Lease liabilities recognised at 1 January 2019	<u>(3,593,498)</u>

(iv) Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Bank recognised KZT 3,409,024 thousand of right-of-use assets and KZT 3,385,972 thousand of lease liabilities as at 30 September 2019, unaudited.

2 Basis of preparation, continued

(e) Changes in accounting policies and presentation, continued

IFRS 16 Leases, continued

As a lessee, continued

(iv) Impacts for the period, continued

Also in relation to those leases under IFRS 16, the Bank has recognised depreciation and interest costs, instead of operating lease expense. During the nine months ended 30 September 2019, the Bank recognised KZT 624,045 thousand of depreciation charges and KZT 376,805 thousand of interest costs from these leases, unaudited.

New amendments and interpretations

A number of new amendments and interpretations are effective from 1 January 2019 but they do not have a material effect on the Bank's condensed interim financial information.

3 Significant accounting policies

The accounting policies applied by the Bank in this condensed interim financial information are the same as those applied in the last annual financial statements, except as explained below, related to the Bank's adoption of IFRS 16 (Note 2(c)), which is applicable from 1 January 2019.

(a) New standards and interpretations not yet adopted

A number of new amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application if permitted; however, the Bank has not early adopted the following amended standards in the preparing this condensed interim financial information.

4 Net interest income

	Unaudited Nine months ended 30 September 2019 000'KZT	Unaudited Nine months ended 30 September 2018 000'KZT
Interest income calculated using the effective interest method on:		
Loans to retail customers	65,703,425	52,071,300
Cash and cash equivalents	2,517,955	645,426
Investment securities	805,778	127,965
Total interest income calculated using the effective interest method	69,027,158	52,844,691
Interest expense		
Current accounts and deposits from customers	10,271,007	10,308,864
Debt securities issued	4,515,670	2,152,247
Deposits and balances from banks	3,209,463	2,201,075
Other borrowed funds	1,639,187	1,028,638
Certificates of deposit	1,428,009	127,106
Lease liabilities	376,805	-
Investment securities	668	-
Total interest expense	21,440,809	15,817,930
Net interest income	47,586,349	37,026,761

5 Net fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major types of commission income.

	Unaudited Nine months ended 30 September 2019 000'KZT	Unaudited Nine months ended 30 September 2018 000'KZT
Fee and commission income:		
Commission income from insurance	11,839,325	7,542,986
Contractual penalties from customers	3,993,217	1,442,134
Fees from retailers	1,918,264	1,909,354
Fees for early loan repayments	494,952	735,777
Transfer operations	305,826	198,086
Card operations	241,066	125,483
Cash withdrawal	4,279	1,464
Other fee and commission income	80,087	104,961
Total fee and commission income	18,877,016	12,060,245
Fee and commission expense:		
Commissions paid for verification services	731,677	530,531
Card processing	458,634	191,636
Commissions paid to partners	208,727	189,287
Settlements	224,001	104,260
Deposit insurance fund contributions	166,656	220,204
Other	55,106	39,913
Total fee and commission expense	1,844,801	1,275,831

The fees and commission presented in this note include income of KZT 18,796,929 thousand, unaudited (the nine months ended 30 September 2018: KZT 11,955,284 thousand, unaudited) and expense of KZT 1,789,695 thousand, unaudited (the nine months ended 30 September 2018: KZT 1,235,918 thousand, unaudited) relating to financial assets and financial liabilities not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

Contract balances

The following table provides information about receivables and liabilities from contracts with customers.

KZT'000	Unaudited 30 September 2019	31 December 2018
Receivables, which are included in 'other assets'	2,660,708	2,799,455
Contract liabilities, which are included in 'other liabilities'	-	-

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

6 Net (loss) gain on financial instruments at fair value through profit or loss

For nine months ended 30 September 2019 the Bank recognised net loss on financial instruments at fair value through profit or loss on short-term currency swap operations concluded on KASE in the amount of KZT 29,625 thousand, unaudited (the nine months ended 30 September 2018: KZT 489,427 thousand, unaudited), and net loss on currency swap operations with maturity up to two years concluded with PPF Banka A.S. in the amount of KZT 3,955,525 thousand, unaudited (the nine months ended 30 September 2018: net gain on 1-year currency swap operations concluded with PPF Banka A.S. in the amount of KZT 966,199 thousand, unaudited).

7 General administrative expenses

	Unaudited Nine months ended 30 September 2019 KZT'000	Unaudited Nine months ended 30 September 2018 KZT'000
Employee compensation and payroll related taxes	11,407,161	10,702,025
Depreciation and amortisation	3,137,958	2,208,608
Information technology	2,177,867	1,129,851
Professional services	1,837,665	1,311,517
Telecommunication and postage	1,644,390	1,384,321
Advertising and marketing	1,140,947	581,844
Collectors' services	1,025,301	753,089
Taxes other than income tax	695,968	852,436
Rent	482,447	1,004,786
Travel expenses	260,121	230,340
Other	547,539	497,673
	<u>24,357,364</u>	<u>20,656,490</u>

8 Income tax expense

	Unaudited Nine months ended 30 September 2019 KZT'000	Unaudited Nine months ended 30 September 2018 KZT'000
Income tax expense		
Current income tax expense	8,115,381	4,545,432
Current tax expense overprovided in prior years	<u>(282,064)</u>	<u>(152,296)</u>
	7,833,317	4,393,136
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences	<u>(18,533)</u>	696,443
Total income tax expense	<u>7,814,784</u>	<u>5,089,579</u>

In 2019, the applicable tax rate for current and deferred tax was 20% (2018: 20%), it is used for calculation of deferred tax assets as at 30 September 2019.

8 Income tax expense, continued

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the condensed interim financial information may differ from management's estimate of the effective tax rate for the annual financial statements.

Reconciliation of effective tax rate:

	Unaudited Nine months ended 30 September 2019		Unaudited Nine months ended 30 September 2018	
	KZT'000	%	KZT'000	%
Profit before income tax	38,362,495	100.0	24,560,594	100.0
Income tax at the applicable tax rate	7,672,499	20.0	4,912,119	20.0
Non-deductible costs	424,349	1.1	329,756	1.3
Overprovided in prior years	(282,064)	(0.7)	(152,296)	(0.6)
	7,814,784	20.4	5,089,579	20.7

9 Cash and cash equivalents

	Unaudited	
	30 September 2019 KZT'000	31 December 2018 KZT'000
Cash on hand	7,553,410	5,882,559
Nostro accounts with the NBRK (rated BBB-)	24,109,690	14,077,562
Nostro accounts with other banks		
- rated from BBB- to BBB+	2,906,414	4,365,500
- rated from BB- to BB+	1,582,384	44,927
- rated below B+	65,698	474,635
- not rated	97	-
Nostro accounts with other banks	4,554,593	4,885,062
Loss allowance	(782)	(282)
Net total nostro accounts with other banks	4,553,811	4,884,780
Cash equivalents		
Term deposits with the NBRK (rated BBB-)	25,255,786	45,030,938
Term deposits with other banks		
- rated B-	-	384,285
Total term deposits with other banks	-	384,285
Loss allowance	-	(520)
Net total term deposits with banks	-	383,765
Total cash equivalents	25,255,786	45,414,703
Total cash and cash equivalents	61,472,697	70,259,604

9 Cash and cash equivalents, continued

The credit ratings are presented by reference to the credit ratings of Standard and Poor's credit rating agency or analogues of similar international agencies.

All cash and cash equivalents are included in Stage 1 of the credit risk grade.

As at 30 September 2019 the Bank has one counterparty bank (31 December 2018: one counterparty bank), whose balances exceeded 10% of equity. The gross value of these balances as at 30 September 2019 is KZT 49,365,476 thousand, unaudited (31 December 2018: KZT 59,108,500 thousand).

Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a total of specified proportions of different groups of banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (local currency cash and NBRK balances) equal or in excess of the average minimum requirements. As at 30 September 2019, the minimum reserve is KZT 2,838,076 thousand, unaudited (31 December 2018: KZT 5,316,336 thousand).

10 Loans to retail customers

	Unaudited	
	30 September 2019	31 December 2018
	KZT'000	KZT'000
Loans to individuals		
Cash loans	167,590,203	150,212,027
POS loans	115,465,682	109,201,408
Credit cards	28,868,878	20,908,557
Total loans to individuals	311,924,763	280,321,992
Loss allowance	(12,559,206)	(12,421,333)
Net loans to individuals	299,365,557	267,900,659

Movements in the loan impairment allowance by classes of loans to customers and by 3 ECL stages for the nine-month periods ended 30 September 2019 and 30 September 2018, unaudited, were as follows:

10 Loans to retail customers, continued**(a) Analysis of movements in the credit loss allowance**

KZT'000	Unaudited Nine months ended 30 September 2019			
	Stage 1	Stage 2	Stage 3	Total
Loans to retail customers at amortised cost				
Balance at 1 January	3,803,935	1,831,057	6,786,341	12,421,333
Transfer to Stage 1	92,580	(92,580)	-	-
Transfer to Stage 2	(207,082)	207,210	(128)	-
Transfer to Stage 3	(66,696)	(2,628,207)	2,694,903	-
New financial assets originated or purchased*	2,704,480	871,611	843,746	4,419,837
Net remeasurement of loss allowance**	(2,215,263)	2,061,962	(6,193,557)	(6,346,858)
Recoveries (write-offs)**	(313,424)	(192,813)	1,432,262	926,025
Unwinding of discount on present value of ECLs	-	-	1,138,869	1,138,869
Balance at 30 September	3,798,530	2,058,240	6,702,436	12,559,206

KZT'000	Unaudited Nine months ended 30 September 2018			
	Stage 1	Stage 2	Stage 3	Total
Loans to retail customers at amortised cost				
Balance at 1 January	2,810,097	1,271,004	4,249,477	8,330,578
Transfer to Stage 1	46,904	(46,904)	-	-
Transfer to Stage 2	(168,677)	168,686	(9)	-
Transfer to Stage 3	(80,349)	(1,744,511)	1,824,860	-
New financial assets originated or purchased*	2,525,758	940,235	1,091,014	4,557,007
Net remeasurement of loss allowance***	(1,782,611)	1,274,343	(1,339,185)	(1,847,453)
Recoveries (write-offs)	-	(80,133)	(442,072)	(522,205)
Balance at 30 September	3,351,122	1,782,720	5,384,085	10,517,927

* Includes new financial assets issued during the period, including transfers of these loans between stages.

** During nine months ended 30 September 2019, the Bank recovered KZT 8,031,012 thousand on overdue loans previously written-off, followed by stopgap measures to collect debts that were written-off against the allowance account, including claims to second-tier banks and intensive work with involvement of private court bailiffs. As a result of this, the Bank revised its approach to writing-off loans that are overdue more than 360 days and expected recoveries thereto. The Bank is in the process of finalising with the Group an approach to writing-off overdue debts, including increase in the number of days overdue, upon occurrence of which the debts are to be written-off of the Bank's balance sheet.

***Due to changes in estimates, effect of repayments (including early repayments).

10 Loans to retail customers, continued

(b) Credit quality of loans to retail customers

The Bank considers loans which are contractually overdue for more than 90 days to be non-performing. As at 30 September 2019 total impairment allowance to non-performing loans was 87%, unaudited (31 December 2018: 114%).

KZT'000	30 September 2019 (unaudited)			Total
	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime ECL for assets not credit- impaired	Stage 3 Lifetime ECL for assets credit- impaired	
<i>Loans to retail customers at amortised cost:</i>				
<i>Cash loans</i>				
Not overdue	134,758,904	17,918,991	-	152,677,895
Overdue less than 30 days	3,037,274	1,974,328	-	5,011,602
Overdue 31-90 days	-	2,459,645	-	2,459,645
Overdue 91-180 days	-	-	1,956,348	1,956,348
Overdue 181-360 days	-	-	3,892,813	3,892,813
Overdue more than 360 days	-	-	1,591,900	1,591,900
Total gross carrying amount	137,796,178	22,352,964	7,441,061	167,590,203
Loss allowance	(1,984,017)	(1,130,934)	(3,363,765)	(6,478,716)
Carrying amount	135,812,161	21,222,030	4,077,296	161,111,487
<i>POS loans</i>				
Not overdue	100,995,033	4,210,678	-	105,205,711
Overdue less than 30 days	2,017,286	737,335	-	2,754,621
Overdue 31-90 days	-	1,696,481	-	1,696,481
Overdue 91-180 days	-	-	1,578,741	1,578,741
Overdue 181-360 days	-	-	2,880,904	2,880,904
Overdue more than 360 days	-	-	1,349,224	1,349,224
Total gross carrying amount	103,012,319	6,644,494	5,808,869	115,465,682
Loss allowance	(1,702,037)	(792,673)	(2,827,951)	(5,322,661)
Carrying amount	101,310,282	5,851,821	2,980,918	110,143,021
<i>Credit cards</i>				
Not overdue	25,789,356	687,586	-	26,476,942
Overdue less than 30 days	660,613	71,385	-	731,998
Overdue 31-90 days	-	509,386	-	509,386
Overdue 91-180 days	-	-	489,139	489,139
Overdue 181-360 days	-	-	544,543	544,543
Overdue more than 360 days	-	-	116,870	116,870
Total gross carrying amount	26,449,969	1,268,357	1,150,552	28,868,878
Loss allowance	(112,476)	(134,633)	(510,720)	(757,829)
Carrying amount	26,337,493	1,133,724	639,832	28,111,049

10 Loans to retail customers, continued

(b) Credit quality of loans to retail customers, continued

KZT'000	31 December 2018			Total
	Stage 1 12-month expected credit losses (ECL)	Stage 2 Lifetime ECL for assets not credit-impaired	Stage 3 Lifetime ECL for assets credit-impaired	
<i>Loans to retail customers at amortised cost:</i>				
<i>Cash loans</i>				
Not overdue	117,122,570	22,491,822	-	139,614,392
Overdue less than 30 days	1,170,109	2,378,310	-	3,548,419
Overdue 31-90 days	-	1,907,615	-	1,907,615
Overdue 91-180 days	-	-	1,831,444	1,831,444
Overdue 181-360 days	-	-	3,310,157	3,310,157
Total gross carrying amount	118,292,679	26,777,747	5,141,601	150,212,027
Loss allowance	(1,821,557)	(1,042,361)	(3,034,657)	(5,898,575)
Carrying amount	116,471,122	25,735,386	2,106,944	144,313,452
<i>Consumer loans to customers</i>				
Not overdue	95,516,435	5,243,646	-	100,760,081
Overdue less than 30 days	1,271,102	747,257	-	2,018,359
Overdue 31-90 days	-	1,398,891	-	1,398,891
Overdue 91-180 days	-	-	1,636,690	1,636,690
Overdue 181-360 days	-	-	3,387,387	3,387,387
Total gross carrying amount	96,787,537	7,389,794	5,024,077	109,201,408
Loss allowance	(1,908,973)	(704,322)	(3,271,183)	(5,884,478)
Carrying amount	94,878,564	6,685,472	1,752,894	103,316,930
<i>Credit cards</i>				
Not overdue	19,121,762	260,147	-	19,381,909
Overdue less than 30 days	379,307	30,679	-	409,986
Overdue 31-90 days	-	327,373	-	327,373
Overdue 91-180 days	-	-	289,181	289,181
Overdue 181-360 days	-	-	500,108	500,108
Total gross carrying amount	19,501,069	618,199	789,289	20,908,557
Loss allowance	(73,405)	(84,374)	(480,501)	(638,280)
Carrying amount	19,427,664	533,825	308,788	20,270,277

11 Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss comprise:

	Unaudited 30 September 2019 KZT'000	31 December 2018 KZT'000
ASSETS		
Financial derivatives		
Foreign currency swap transactions	2,309,684	681,000
Foreign currency spot transactions	-	114,930
	<u>2,309,684</u>	<u>795,930</u>
LIABILITIES		
Derivative financial instruments		
Foreign currency swap transactions	(4,670,849)	(186,501)
Foreign currency spot transactions	-	(114,582)
	<u>(4,670,849)</u>	<u>(301,083)</u>

12 Deposits and balances from banks

	Unaudited 30 September 2019 KZT'000	31 December 2018 KZT'000
Loro accounts	246,881	137,107
Term deposits	50,281,423	53,471,742
Sale and repurchase agreements	12,856,560	8,763,233
	<u>63,384,864</u>	<u>62,372,082</u>

As at 30 September 2019 the Bank has two counterparties whose balances exceeded 10% of the Bank's equity (31 December 2018: two counterparties). As at 30 September 2019 these balances amounted to KZT 33,290,929 thousand, unaudited (31 December 2018: KZT 40,083,874 thousand).

As at 30 September 2019 amounts payable under sale and repurchase agreements were secured by investment securities with fair of value KZT 13,377,905 thousand, unaudited (31 December 2018: KZT 9,458,245 thousand). These transactions are conducted under terms that are usual and customary to standard lending activities.

13 Current accounts and deposits from customers

	Unaudited 30 September 2019 KZT'000	31 December 2018 KZT'000
Corporate		
- Current accounts	459,646	2,015,611
- Term deposits	70,120,183	60,413,406
Current accounts and deposits from corporate customers	<u>70,579,829</u>	<u>62,429,017</u>
Retail		
- Current accounts	19,018,658	13,756,609
- Term deposits	67,343,052	65,470,936
Current accounts and deposits from retail customers	<u>86,361,710</u>	<u>79,227,545</u>
	<u>156,941,539</u>	<u>141,656,562</u>

As at 30 September 2019, the Bank has one customer (31 December 2018: one customer), whose balances exceeded 10% of the Bank's equity. As at 30 September 2019 these balances amounted to KZT 10,466,831 thousand, unaudited (31 December 2018: KZT 6,347,376 thousand).

14 Debt securities issued

During the nine months ended 30 September 2019 the Bank has repaid KZT-denominated unsecured bonds of the first issue, as part of the second bond programme, with the nominal value of KZT 6,768,502 thousand, which mature in February 2019 and bear a fixed coupon rate of 9.5%.

15 Other borrowed funds

	Issue date	Maturity date	Currency	Weighted-average effective interest rate, %	Unaudited 30 September 2019 KZT'000	31 December 2018 KZT'000
Other borrowed funds						
Unsecured loans and borrowings*	09/08/2018	31/12/2020	USD	6.96	9,701,624	15,380,977
Unsecured loans and borrowings	29/07/2019	15/08/2021	EUR	4.37	8,475,429	-
Unsecured loans and borrowings	27/12/2018	27/12/2019	KZT	12.5	5,500,979	5,482,295
Unsecured loans and borrowings	04/07/2018	27/06/2019	EUR	4.80	-	6,593,186
Unsecured loans and borrowings **	09/08/2018	27/06/2019	USD	7.40	-	8,459,350
					23,678,032	35,915,808

*prolonged till 31 December 2020

**early repaid in March 2019

16 Equity

(a) Issued capital

As at 30 September 2019 the authorised share capital comprised 160,240 ordinary shares (31 December 2018: 160,240 ordinary shares) and issued and outstanding share capital comprised 34,890 ordinary shares (31 December 2018: 34,890 ordinary shares). The shares do not have nominal value.

(b) Dividends

The amount of available for distribution reserves of the Bank is based on the actual values of the capital adequacy ratios of the bank k1, k1-2 and k2, taking into account the equity buffers, which must be at least equal to the capital adequacy ratios established by the legislation of the Republic of Kazakhstan, taking into account these equity buffers. In the event that the actual values of the Bank's capital ratios k1, k1-2 and k2 are not lower than those established by the legislation of the Republic of Kazakhstan, but any of these ratios is lower than the established values of capital adequacy ratios taking into account the equity buffers, then the use of retained earnings of the Bank is subject to a restriction according to the minimum amount of the restriction of undistributed net income in accordance with the legislation of the Republic of Kazakhstan, regarding the termination of payment of dividends and redemption of shares, except for cases stipulated by the Law of the Republic of Kazakhstan "On Joint Stock Companies".

As at 30 September 2019 reserves available for distribution amounted to KZT 13,620,875 thousand, unaudited (31 December 2018: KZT 11,318,663 thousand).

During the nine months ended 30 September 2019, the Bank has declared and paid dividends of KZT 17,500,015 thousand or KZT 501,577 per share (for the nine months ended 30 September 2018: the Bank has declared and paid dividends of KZT 5,000,002 thousand or KZT 143,308 per share).

17 Book value per share

The calculation of book value per share as at 30 September 2019 is based on the number of outstanding ordinary shares of 34,890, unaudited (31 December 2018: 34,890) and net assets calculated in accordance with the Listing Rules of Kazakhstan Stock Exchange as follows:

	Unaudited 30 September 2019	31 December 2018
	KZT'000	KZT'000
Total assets	401,784,160	371,393,409
Intangible assets	(3,694,439)	(4,150,760)
Total liabilities	(325,852,881)	(308,463,864)
Net assets	72,236,840	58,778,785

The following table shows the book value per share calculations as at 30 September 2019 and 31 December 2018:

	Unaudited 30 September 2019	31 December 2018
Net assets, KZT'000	72,236,840	58,778,785
Outstanding number of ordinary shares at the end of the period/year, share	34,890	34,890
Book value per share (in KZT)	2,070,417	1,684,689

18 Earnings per share

The calculation of basic earnings per share is based on the net profit for the nine-month period attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

	Unaudited Nine months ended 30 September 2019	Unaudited Nine months ended 30 September 2018
Net profit attributable to ordinary shareholders, KZT'000	30,547,711	19,471,015
Weighted average number of ordinary shares	34,890	34,890
Earnings per share, in KZT (basic and diluted)	875,543	558,069

There are no potentially dilutive shares for the periods ended 30 September 2019 and 30 September 2018.

19 Analysis by segment

The Bank's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank), whose operating results are regularly reviewed by the chief operating decision maker, the Management Board, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Assets are concentrated primarily in the Republic of Kazakhstan, and the majority of revenues and net income are derived from operations in, and connected with the Republic of Kazakhstan.

20 Capital management

The NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the NBRK the Bank has to maintain: a ratio of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 30 September 2019, this minimum level of tier 1 capital to risk weighted assets, contingent liabilities, operational and market risk was 0.055, unaudited (31 December 2018: 0.055) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 0.080, unaudited (31 December 2018: 0.080). The Bank was in compliance with the statutory capital requirements as at 30 September 2019, unaudited, and 31 December 2018.

The following table shows the composition of the Bank's capital position calculated in accordance with the requirements of the NBRK:

	Unaudited 30 September 2019 KZT'000	31 December 2018 KZT'000
Tier 1 capital		
Share capital	5,199,503	5,199,503
Retained earnings of prior years	40,156,663	33,930,452
Profit for the period	30,547,711	23,726,226
Intangible assets	(3,694,439)	(4,150,760)
Fair value reserve	27,402	73,364
Total tier 1 capital	72,236,840	58,778,785
Total tier 2 capital	-	-
Total capital	72,236,840	58,778,785
Total credit risk-weighted assets	458,741,511	416,603,663
Total credit risk-weighted assets and liabilities, including market and operational risk	540,244,322	465,989,998
Ratio of total capital to credit risk-weighted assets and liabilities, including market and operational risk (total capital ratio)	13.4%	12.6%
Ratio of total tier 1 capital to credit risk-weighted assets and liabilities, including market and operational risk (tier 1 capital ratio)	13.4%	12.6%

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

21 Credit related commitments

The Bank has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced.

	Unaudited 30 September 2019 KZT'000	31 December 2018 KZT'000
Contracted amount		
Loan and credit line commitments	33,239,676	19,589,067
	33,239,676	19,589,067

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 30 September 2019 the Bank had no counterparties whose commitment balances exceeded 10% of the Bank's equity (31 December 2018: none).

The table below provides an analysis of the of loan and credit line commitments by the stages of the credit risk grade in accordance with IFRS 9:

	Unaudited 30 September 2019 KZT'000	31 December 2018 KZT'000
Loan and credit line commitments		
Stage 1	32,169,942	18,953,864
Stage 2	353,366	175,831
Stage 3	716,368	459,372
	33,239,676	19,589,067

22 Related party transactions

(a) Control relationships

The Bank's parent company is Home Credit and Finance Bank (Russia). The Bank's ultimate controlling owner is Petr Kellner. The Bank's parent company issues publicly available financial statements.

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the nine months ended 30 September 2019 and 30 September 2018 was as follows:

	Unaudited Nine months ended 30 September 2019 KZT'000	Unaudited Nine months ended 30 September 2018 KZT'000
Members of the Board of Directors	300,994	1,013,260
Members of the Management Board	1,020,395	306,673
	1,321,389	1,319,933

22 Related party transactions, continued

(b) Transactions with the members of the Board of Directors and the Management Board, continued

The outstanding balances and average interest rates as at 30 September 2019 and 31 December 2018 for transactions with members of the Board of Directors and the Management Board were as follows:

	Unaudited 30 September 2019 KZT'000	Average interest rate, %	31 December 2018 KZT'000	Average interest rate, %
Condensed interim statement of financial position				
LIABILITIES				
Current accounts and deposits from customers	51,636	2.95	13,814	0.62

Total amounts included in profit or loss in relation to transactions with members of the Board of Directors and the Management Board for the nine months ended 30 September 2019 and 30 September 2018 were as follows:

	Unaudited Nine months ended 30 September 2019 KZT'000	Unaudited Nine months ended 30 September 2018 KZT'000
Condensed interim statement of profit or loss and other comprehensive income		
Interest expense	(418)	(564)
	<u>(418)</u>	<u>(564)</u>

(c) Transactions with the parent

As at 30 September 2019 and 31 December 2018 transactions with the parent included in the condensed interim statement of financial position were as follows:

	Unaudited 30 September 2019 KZT'000	Average interest rate, %	31 December 2018 KZT'000	Average interest rate, %
Condensed interim statement of financial positions				
ASSETS				
Cash and cash equivalent				
-In USD	140	-	138	-
-In EUR	134	-	139	-
-In RUB	10,802	-	40	-
LIABILITIES				
Deposits and balances from banks				
-In KZT	3	-	3	-
-In USD	20,434,366	7.90	31,320,638	7.43

22 Related party transactions, continued

(c) Transactions with the parent, continued

During nine months ended 30 September 2019 and 30 September 2018 transactions with the parent included in the condensed interim statement of profit or loss and other comprehensive income were as follows:

	Unaudited Nine months ended 30 September 2019 KZT'000	Unaudited Nine months ended 30 September 2018 KZT'000
Condensed interim statement of profit or loss and other comprehensive income		
Interest expense		
Deposits and balances from banks		
- In USD	(1,204,709)	(89,430)
	<u>(1,204,709)</u>	<u>(89,430)</u>

(d) Transactions with entities controlled by the ultimate controlling owner

As at 30 September 2019 and 31 December 2018 balances with entities controlled by the ultimate controlling owner included in the condensed interim statement of financial position were as follows:

	Unaudited 30 September 2019 KZT'000	Average interest rate, %	31 December 2018 KZT'000	Average interest rate, %
Condensed interim statement of financial position				
ASSETS				
Financial instruments at fair value through profit or loss				
-In EUR	1,669,457	-	2,473,653	0.001
Property, equipment and intangible assets*				
-In KZT	3,530,944	-	3,120,457	-
Financial instruments at fair value through profit or loss				
- In KZT/USD	2,309,684	-	681,000	-
Other assets				
- In EUR	268,253	-	-	-
LIABILITIES				
Deposits and balances from banks				
- In KZT	246,490	-	136,720	-
- In EUR	2,145,200	4.0	-	-
Current accounts and deposits of customers				
- In USD	5,820,946	6.78	-	-
Other borrowed funds				
- In USD	9,701,624	6.96	23,840,327	7.53
- In EUR	8,475,429	4.37	6,593,186	4.80
Financial instruments at fair value through profit or loss				
- In KZT	4,670,850	-	186,501	-
Debt securities issued				
- In KZT	5,183,964	13.0	-	-
Other financial liabilities				
- In EUR	1,176,654	-	1,588,310	-

22 Related party transactions, continued**(d) Transactions with entities controlled by the ultimate controlling owner, continued**

During the nine months ended 30 September 2019 and 30 September 2018 transactions with entities controlled by the ultimate controlling owner included in the condensed interim statement of profit or loss and other comprehensive income were as follows:

	Unaudited Nine months ended 30 September 2019 KZT'000	Unaudited Nine months ended 30 September 2018 KZT'000
Condensed interim statement of profit or loss and other comprehensive income		
Interest expense		
Current accounts and deposits from customers		
- In USD	(103,681)	-
	<u>(103,681)</u>	<u>-</u>
Other borrowed funds		
- In USD	(886,233)	(429,406)
- In EUR	(218,174)	(129,036)
	<u>(1,104,407)</u>	<u>(558,442)</u>
Deposits and balances from banks		
- In EUR	(26,883)	-
	<u>(26,883)</u>	<u>-</u>
Debt securities issued	(184,108)	-
- In KZT	<u>(184,108)</u>	<u>-</u>
Net (loss) gain on financial instruments at fair value through profit or loss		
- In USD	(3,955,525)	966,199
	<u>(3,955,525)</u>	<u>966,199</u>
General administrative expenses		
General administrative expenses	<u>(3,542,959)</u>	<u>(2,658,345)</u>

23 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2019, unaudited:

KZT'000	FVTPL	FVOCI	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	61,472,697	61,472,697	61,472,697
Placements with banks	-	-	1,669,457	1,669,457	1,669,457
Loans to customers	-	-	299,365,557	299,365,557	304,750,694
Investment securities	-	20,816,295	-	20,816,295	20,816,295
Financial instruments at fair value through profit or loss	2,309,684	-	-	2,309,684	2,309,684
Other financial assets	-	-	4,663,091	4,663,091	4,663,091
	2,309,684	20,816,295	367,170,802	390,296,781	395,681,918
Financial instruments at fair value through profit or loss	4,670,849	-	-	4,670,849	4,670,849
Deposits and balances from banks	-	-	63,384,864	63,384,864	64,143,267
Current accounts and deposits from customers	-	-	156,941,539	156,941,539	164,110,819
Debt securities issued	-	-	45,115,726	45,115,726	46,168,522
Other borrowed funds	-	-	23,678,032	23,678,032	23,834,611
Certificates of deposits	-	-	16,770,668	16,770,668	16,770,668
Lease liabilities	-	-	3,385,972	3,385,972	3,385,972
Other financial liabilities	-	-	11,905,231	11,905,231	11,905,231
	4,670,849	-	321,182,032	325,852,881	334,989,939

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2018:

KZT'000	FVTPL	FVOCI	Amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	64,377,045	64,377,045	64,377,045
Placements with banks	-	-	2,473,653	2,473,653	2,473,653
Loans to customers	-	-	267,900,659	267,900,659	270,781,236
Investment securities	-	16,933,24	-	16,933,243	16,933,243
Financial instruments at fair value through profit or loss	795,930	-	-	795,930	795,930
Other financial assets	-	-	2,782,880	2,782,880	2,782,880
	795,930	16,933,24	337,534,237	355,263,410	358,143,987
Financial instruments at fair value through profit or loss	301,083	-	-	301,083	301,083
Deposits and balances from banks	-	-	62,372,082	62,372,082	62,651,178
Current accounts and deposits from customers	-	-	141,656,562	141,656,562	144,756,312
Debt securities issued	-	-	50,542,872	50,542,872	50,733,727
Other borrowed funds	-	-	35,915,808	35,915,808	36,209,983
Certificates of deposits	-	-	7,673,418	7,673,418	7,673,418
Other financial liabilities	-	-	7,618,240	7,618,240	7,618,240
	301,083	-	305,778,982	306,080,065	309,943,941

23 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

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 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 Bank determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

(b) Fair value hierarchy

The Bank measures fair values 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: inputs other than quoted prices included within Level 1 that are observable 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 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: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

24 Subsequent events

On 25 October 2019, the Bank entered into Syndicated Loan Facility agreement in the amount of USD 100,000 thousand for the tenor of 2 years. The facility was fully utilized within the same month.

On 28 October 2019, the Bank has repaid KZT-denominated unsecured bonds of the third issue within the second bond programme, with the total value of KZT 8,500,000 thousand, including the principal amount (total nominal value of bonds) KZT 8,000,000 thousand and the fourth coupon interest - KZT 500,000 thousand.

On 30 October 2019, the Bank placed KZT-denominated unsecured bonds of the first issue within the third bond programme with a nominal value of KZT 2,500,000 thousand.

On 05 November 2019, the Bank placed KZT-denominated unsecured bonds of the first issue within the third bond programme with a nominal value of KZT 2,500,000 thousand.