Home Credit and Finance Bank

Condensed Consolidated Interim Financial Statements for the three month period ended 31 March 2015

(unaudited)

Contents

	Note	3 month period ended 2015 MRUB (Unaudited)	3 month period ended 2014 MRUB (Unaudited)
Interest income	4	16,626	20,972
Interest expense	4	(8,500)	(6,386)
Net interest income		**8,126**	**14,586**
Fee and commission income	5	3,432	5,038
Fee and commission expense	6	(824)	(689)
Net fee and commission income		**2,608**	**4,349**
Other operating income, net	7	352	120
Operating income		**11,086**	**19,055**
Impairment losses on loans to customers	8	(12,489)	(16,343)
Impairment losses on other assets	8	-	(9)
General administrative expenses	9	(5,696)	(6,739)
Operating expenses		**(18,185)**	**(23,091)**
Loss before tax		**(7,099)**	**(4,036)**
Income tax benefit	10	1,451	765
Loss for the year		**(5,648)**	**(3,271)**

The condensed consolidated interim financial statements as set out on pages 3 to 36 were approved by the Board of Management on 10 June 2015.

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

ООО "ХКФ Банк" HCF Bank

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

	3 month period ended 2015 MRUB (Unaudited)	3 month period ended 2014 MRUB (Unaudited)
Loss for the period, recognised in consolidated statement of profit or loss	(5,648)	(3,271)
Other comprehensive income that is or may be reclassified subsequently to profit or loss		
Revaluation reserve for financial assets available for sale:		
- net change in fair value, net of tax	301	(29)
- net change in fair value transferred to profit or loss, net of tax	(152)	15
Cash flow hedge reserve:		
- effective portion of changes in fair value, net of tax	338	1,174
- net amount transferred to profit or loss, net of tax	(530)	(849)
Effect of foreign currency translation	160	(499)
Other comprehensive income/(loss) for the period, net of tax	117	(188)
Total comprehensive loss for the period	(5,531)	(3,459)

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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

ASSETS	Note	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Cash and cash equivalents	11	47,576	33,862
Placements with banks and other financial institutions	12	17,709	15,372
Loans to customers	13	221,788	244,779
Positive fair value of derivative instruments	14	9,924	9,570
Financial assets available for sale	15	14,996	18,120
Property, equipment and intangible assets	16	10,821	11,234
Assets classified as held for sale		212	390
Investment in associate		58	154
Deferred tax asset		4,235	2,542
Current income tax receivable		781	823
Other assets	17	1,519	1,894
Total assets		**329,619**	**338,740**
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	18	17,222	17,323
Subordinated debt	19	39,114	37,259
Due to banks and other financial institutions	20	13,705	38,796
Current accounts and deposits from customers	21	207,502	187,263
Negative fair value of derivative instruments	22	169	163
Deferred tax liability		38	37
Other liabilities	23	4,752	5,251
Total liabilities		**282,502**	**286,092**
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for financial assets available for sale		36	(113)
Cash flow hedge reserve		474	666
Translation reserve		3,075	2,915
Retained earnings		28,495	34,143
Total equity		**47,117**	**52,648**
Total liabilities and equity		**329,619**	**338,740**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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

	Attributable to equity holders of the Group						
MRUB	**Charter capital**	**Other capital contributions**	**Revaluation reserve for financial assets available for**	**Cash flow hedge reserve**	**Transla-tion reserve**	**Retained earnings**	**Total**
Balance at 1 January 2014	**4,406**	**10,631**	**5**	**2**	**274**	**39,878**	**55,196**
Loss for the period	-	-	-	-	-	(3,271)	(3,271)
Revaluation reserve for financial assets available for sale:							
- net change in fair value, net of tax	-	-	(29)	-	-	-	(29)
- net change in fair value transferred to profit or loss, net of tax	-	-	15	-	-	-	15
Cash flow hedge reserve:							
- effective portion of changes in fair value, net of tax	-	-	-	1,174	-	-	1,174
- net amount transferred to profit or loss, net of tax	-	-	-	(849)	-	-	(849)
Effect of foreign currency translation	-	-	-	-	(499)	-	(499)
Total comprehensive loss for the period	-	-	(14)	325	(499)	(3,271)	(3,459)
Balance at 31 March 2014 (unaudited)	**4,406**	**10,631**	**(9)**	**327**	**(225)**	**36,607**	**51,737**

	Attributable to equity holders of the Group						
MRUB	**Charter capital**	**Other capital contributions**	**Revaluation reserve for financial assets available for**	**Cash flow hedge reserve**	**Transla-tion reserve**	**Retained earnings**	**Total**
Balance at 1 January 2015	**4,406**	**10,631**	**(113)**	**666**	**2,915**	**34,143**	**52,648**
Loss for the period	-	-	-	-	-	(5,648)	(5,648)
Revaluation reserve for financial assets available for sale:							
- net change in fair value, net of tax	-	-	301	-	-	-	301
- net change in fair value transferred to profit or loss, net of tax	-	-	(152)	-	-	-	(152)
Cash flow hedge reserve:							
- effective portion of changes in fair value, net of tax	-	-	-	338	-	-	338
- net amount transferred to profit or loss, net of tax	-	-	-	(530)	-	-	(530)
Effect of foreign currency translation	-	-	-	-	160	-	160
Total comprehensive loss for the year	-	-	149	(192)	160	(5,648)	(5,531)
Balance at 31 March 2015 (unaudited)	**4,406**	**10,631**	**36**	**474**	**3,075**	**28,495**	**47,117**

Chairman of the Board of Management
Y. Andresov

Chief Financial Officer
I. Kolikova

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

	Note	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Cash flow from operating activities			
Interest received		16,960	21,620
Interest paid		(7,168)	(7,943)
Fees and commissions received		3,937	5,118
Fees and commissions paid		(805)	(665)
Net (payments)/receipts from foreign exchange transactions		(1,719)	1,363
Other operating income received		54	112
Administrative and other operating expenses paid		(4,309)	(5,716)
Income tax paid		(181)	(762)
Cash flows from operating activities before changes in operating assets and liabilities		**6,769**	**13,127**
Changes in operating assets and liabilities			
Net increase in placements with banks and other financial institutions		(766)	(740)
Net decrease in financial assets available for sale		4,261	955
Net decrease in loans to customers		9,503	1,016
Net decrease in other assets		438	460
Net increase/(decrease) in current accounts and deposits from customers		18,819	(17,731)
Net (decrease)/increase in due to banks and other financial institutions		(25,285)	18,605
Net decrease in other liabilities		(70)	(27)
Net cash from operating activities		**13,669**	**15,665**
Cash flows used in investing activities			
Dividends from associate		138	-
Proceeds from sale of property and equipment		47	1
Acquisition of property, equipment and intangible assets		(400)	(880)
Net cash used in investing activities		**(215)**	**(879)**
Cash flows from financing activities			
Proceeds from the issue of debt securities		-	1,477
Repayments of debt securities issued		(181)	(18,325)
Repayments of subordinated debt		(461)	-
Net cash used in financing activities		**(642)**	**(16,848)**
Net decrease in cash and cash equivalents		12,812	(2,062)
Effect of exchange rate changes on cash and cash equivalents		902	(12)
Cash and cash equivalents at the beginning of the year	11	33,862	43,323
Cash and cash equivalents at the end of the year	11	**47,576**	**41,249**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

ООО "ХКФ Банк" HCF Bank

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

1. Description of the Group

OOO "Home Credit and Finance Bank" (the "Bank") was established in the Russian Federation as a Limited Liability Company and was granted its banking licence in 1990. In 2002 the Bank was acquired by Home Credit Group. On 13 October 2011 the Bank received General Banking Licence #316 from the Central Bank of Russia (the "CBR"). The Bank together with its subsidiaries is further referred to as the Group.

Registered office

8/1 Pravda st
Moscow 125040
Russian Federation

Participants	**Country of incorporation**	**Ownership interest (%)**	
		31 Mar 2015	**31 Dec 2014**
Home Credit B.V.	The Netherlands	99.99	99.99
Home Credit International a.s.	Czech Republic	0.01	0.01

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

Consolidated subsidiaries	**Country of incorporation**	**Ownership interest (%)**	
		31 Mar 2015	**31 Dec 2014**
Financial Innovations (LLC)	Russian Federation	100.00	100.00
Bonus Center Operations (LLC)*	Russian Federation	100.00	100.00
Bank Home Credit (SB JSC)	Kazakhstan	100.00	100.00
Eurasia Capital S.A.	Luxemburg	see below	see below
Eurasia Structured Finance No.1 S.A.*	Luxemburg	see below	see below
HC Finance (LLC)	Russian Federation	see below	see below
Eurasia Structured Finance No.3 B.V.	The Netherlands	see below	see below
HC Finance No.2 (LLC)	Russian Federation	see below	see below
Eurasia Structured Finance No.4 B.V.	The Netherlands	see below	see below

Eurasia Capital S.A., Eurasia Structured Finance No.1 S.A., HC Finance (LLC), Eurasia Structured Finance No.3 B.V., HC Finance No.2 (LLC) and Eurasia Structured Finance No.4 B.V. are special purpose entities established to facilitate the Group’s issues of debt securities and subordinated debt.

** As at 31 March 2015 Eurasia Structured Finance No.1 S.A. and Bonus Center Operations (LLC) were in the process of liquidation.*

Associate	**Country of incorporation**	**Ownership interest (%)**	
		31 Mar 2015	**31 Dec 2014**
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00

Council		**Board of Management**	
Jiri Smejc	Chairman	Yuriy Andresov	Chairman/Chief Executive Officer
Irina Kolikova	Deputy Chairman	Dmitri Mosolov	First Deputy Chairman/ Deputy Chief Executive Officer
Galina Vaisband	Member	Martin Schaffer	Deputy Chairman
Yuly Tai	Member	Olga Egorova	Member

1. Description of the Group (continued)

Principal activities

The activities of the Group are regulated by the CBR and the activities of Subsidiary Bank Joint-Stock Company "Home Credit and Finance Bank" (Bank Home Credit (SB JSC)) are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK"). The principal activity of the Group is the provision of the full range of banking products and services to individual customers across the Russian Federation and the Republic of Kazakhstan such as lending, deposit taking, saving and current accounts service and maintenance, payments, debit cards issuance and maintenance, Internet-banking, payroll and other banking services.

The loans are offered to existing and new customers across the Russian Federation and the Republic of Kazakhstan via a national wide distribution network comprising variable channels: own banking offices, points of sale at retailers, Russian Post branches, Kazakh Post branches and other third parties.

As at 31 March 2015 the Bank's distribution network comprised the head office in Moscow and 7 branches in Ufa, Rostov-on-Don, Saint-Petersburg, Yekaterinburg, Novosibirsk, Khabarovsk, Nizhniy Novgorod, 514 standard banking offices, 3,969 loan offices, 81 regional centres, 3 representative offices and over 86 thousand points of sale which cover over 2,000 residential areas in the Russian Federation and about 200 Russian post offices. As at 31 March 2015 the ATM network comprised 795 ATMs and payment terminals across the Russian Federation.

As at 31 March 2015 the distribution network in Kazakhstan comprised 72 standard banking offices, 3,674 loan offices, 1,508 points of sale and over 200 Kazakhstan post offices. As at 31 March 2015 the ATM network of Bank Home Credit (SB JSC) comprised 273 ATMs and payment terminals across Kazakhstan.

2. Basis of preparation

The condensed consolidated interim financial statements follow, in the context of measurement, all requirements of International Financial Reporting Standards (IFRS). The disclosures in these condensed consolidated interim financial statements have been presented in accordance with IAS 34 Interim Financial Reporting, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

(a) Basis of measurement

The condensed consolidated interim financial statements are prepared on the historical cost or amortised historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value. Other financial assets and liabilities are stated at amortised cost. Non-financial assets and liabilities are stated at historical cost, restated for the effects of inflation as described in Note 3(b) of the Group's annual consolidated financial statements for the year ended 31 December 2014.

(b) Presentation and functional currency

The national currency of the Russian Federation is the Russian Rouble ("RUB"). Management determined functional currency of the Bank and all of its subsidiaries, except Bank Home Credit (SB JSC), to be the RUB as it reflects the economic substance of the majority of underlying events and circumstances of the Group. The functional currency of Bank Home Credit (SB JSC) is Kazahstan Tenge ("KZT"). The RUB is the Group's presentation currency for the purposes of these consolidated financial statements. Financial information presented in RUB is rounded to the nearest million unless otherwise stated.

2. Basis of preparation (continued)

(c) Business environment

The Group’s operations are primarily located in the Russian Federation and the Republic of Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation and the Republic of Kazakhstan, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation and the Republic of Kazakhstan.

Current economic and geopolitical environment has impacted the Russian economy in a number of ways, including lower growth, a volatile currency, liquidity strains and financial stress on consumers. These and other factors create risks for the Group’s local business activities. The Group’s management takes all the necessary steps to support the economic stability of the Group and its operations in the current circumstances.

The consolidated financial statements reflect management’s assessment of the impact of business environment of the Russian Federation and the Republic of Kazakhstan on the operations and financial position of the Group. The future business environment may differ from management’s assessment.

3. Significant accounting policies

The significant accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except that new standarts have been published, a part of which is obligatory for annual reporting periods beginning on or after 1 January 2015.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 March 2015, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective.

IFRS 9 *Financial Instruments*, published in July 2014, is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The Group recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The Group has not analysed the impact of these changes yet. The Group does not intend to adopt this standard early. The standard will be effective for annual periods beginning on or after 1 January 2018 and will be applied retrospectively with some exemptions.

IFRS 15 *Revenue from Contracts with Customers* supersedes IAS 11 *Construction Contracts*; IAS 18 *Revenue*; IFRIC 13 *Customer Loyalty Programmes*; IFRIC 15 *Agreements for the Construction of Real Estate*; IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The standard will be effective for annual periods beginning on or after 1 January 2017. Early application is permitted. The Group has not yet analysed the likely impact of the standard on its financial position or performance. The Group does not intend to adopt this standard early.

Comparative numbers

Net gain on interest rate derivatives of MRUB 4 for the three month period ended 31 March 2014 was reclassified from interest income of MRUB 894 and interest expense of MRUB 890 to other operating income in order to conform the presentation in 2015. The reclassification had no impact on the Group's result or equity.

4. Interest income and interest expense

	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Interest income		
Loans to individuals	15,423	20,705
Placements with banks and other financial institutions	563	121
Amounts receivable under reverse repurchase agreements	405	92
Financial assets available for sale	234	53
Loans to corporations	1	1
	16,626	**20,972**
Interest expense		
Current accounts and deposits from customers	6,122	4,343
Subordinated debt	992	612
Due to banks and other financial institutions	837	444
Debt securities issued	413	795
Hedging derivative instruments	136	192
	8,500	**6,386**

5. Fee and commission income

	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Insurance agent commissions	2,281	3,708
Contractual penalties from customers	397	437
Cash operations	310	501
Customer payments processing and account maintenance	227	145
Fees from retailers	191	130
Pension agent commissions	-	50
Other	26	67
	3,432	**5,038**

6. Fee and commission expense

	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Cash transactions	234	226
Payments to the Deposit Insurance Agency	190	199
State duties	193	124
Payments processing and account maintenance	125	92
Other	82	48
	824	**689**

7. Other operating income, net

	Note	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Net gain on spot transactions and currency derivatives		508	578
Net gain on early redemption of subordinated debt	19	76	-
Share of the profit of associate		42	-
Net realised gain/(loss) on disposal of financial assets available for sale		27	(5)
Net gain on early redemption of debt securities issued	18	18	-
Gain from sale of loans	13	-	11
Net (loss)/gain on interest rate derivatives		(85)	4
Loss from foreign exchange revaluation of financial assets and liabilities		(225)	(457)
Other		(9)	(11)
		352	**120**

8. Impairment losses

	Note	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Cash loans	13	7,327	11,458
Credit card loans	13	3,367	2,710
POS loans	13	1,699	2,218
Mortgage loans	13	97	(47)
Other assets		-	9
Car loans	13	(1)	(1)
Loans to corporations	13	-	5
		12,489	**16,352**

9. General administrative expenses

	Note	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Personnel related expenses		2,351	3,034
Depreciation and amortisation		715	666
Payroll related taxes		579	743
Occupancy	26	525	860
Professional services		448	298
Telecommunication and postage		264	408
Repairs and maintenance		185	193
Information technology		145	95
Taxes other than income tax		77	67
Advertising and marketing		55	34
Travel expenses		52	64
Other		300	277
		5,696	**6,739**

10. Income tax benefit

	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Current tax expense	(230)	(320)
Deferred tax benefit	1,681	1,085
	1,451	**765**

Reconciliation of effective tax rate

	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Loss before tax	**(7,099)**	**(4,036)**
Income tax using the applicable tax rate 20%	1,420	807
Dividends from Bank Home Credit (SB JSC)	(94)	-
Net non-deductible costs	115	(56)
Income taxed at lower tax rates	10	14
	1,451	**765**

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

	3 month period ended 31 Mar 2015 (Unaudited)			**3 month period ended 31 Mar 2014 (Unaudited)**		
MRUB	**Amount before tax**	**Tax (expense)/ benefit**	**Amount net of tax**	**Amount before tax**	**Tax benefit/ (expense)**	**Amount net of tax**
Net change in fair value of financial assets available for sale	186	(37)	149	(18)	4	(14)
Cash flow hedge reserve	(240)	48	(192)	406	(81)	325
	(54)	**11**	**(43)**	**388**	**(77)**	**311**

11. Cash and cash equivalents

	31 Mar 2015 MRUB (Unaudited)	**31 Dec 2014 MRUB**
Cash	5,797	16,382
Placements with banks and other financial institutions due within one month	22,665	8,296
Nostro accounts with the CBR	3,426	5,184
Placements with the CBR	-	4,000
Amounts receivable under reverse repurchase agreements	15,688	-
	47,576	**33,862**

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

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

12. Placements with banks and other financial institutions

	31 Mar 2015 MRUB (Unaudited)	**31 Dec 2014 MRUB**
Term deposits with banks and other financial institutions due after one month	13,900	11,640
Minimum reserve deposit with the CBR	2,072	1,988
Placements with MasterCard and VISA	1,332	1,314
Minimum reserve deposit with the NBRK	405	430
	17,709	**15,372**

The minimum reserve deposit with the CBR is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the CBR whose withdrawability is restricted.

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

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

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

13. Loans to customers

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Cash loans	159,653	177,523
POS loans	57,436	63,636
Credit card loans	43,811	46,420
Mortgage loans	4,869	4,991
Loans to corporations	27	51
Car loans	34	42
Impairment allowance	(44,042)	(47,884)
	221,788	**244,779**

As at 31 March 2015 Cash loans receivables shown above included loans with a gross value of MRUB 81,618 originated under new underwriting criteria since 1 September 2013 (31 December 2014: MRUB 83,991).

The Group provides point-of-sale loans ("POS loans") for any purpose including household goods, services and other purposes. Credit cards are generally issued for 3 years and have an average credit limit of TRUB 75 and require a minimum monthly payment of 5% of the outstanding credit balance on the respective credit card (31 December 2014: 3 years and TRUB 62 respectively and a minimum monthly payment of 5% of the outstanding credit balance). As at 31 March 2015 the average loan-to-value ratio for mortgage loans was 60% (31 December 2014: 60%).

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

	31 March 2015 (Unaudited)		31 December 2014	
	Size TRUB	Term Months	Size TRUB	Term Months
Cash loans	183.3	41	181.2	39
POS loans	39.0	20	40.2	20

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

	31 March 2015 (Unaudited)		31 December 2014	
	NPLs MRUB	Provision coverage %	NPLs MRUB	Provision coverage %
Cash loans	25,604	111	30,040	107
Credit card loans	9,185	104	9,465	98
POS loans	5,033	116	5,727	108
Mortgage loans	415	88	276	112
Car loans	10	90	11	100
Total	**40,247**	**109**	**45,519**	**105**

Non-performing loans are defined by the Group as loans and receivables overdue for more than 90 days. Loans and receivables, except for mortgage and car loans, overdue for more than 360 days are written off. Mortgage and car loans and receivables overdue over 720 days are written off. Some of the loans written off can be subsequently sold. During the three month period ended 31 March 2015 the Group did not sell any non-performing loans (three month period ended 31 March 2014: none).

13. Loans to customers (continued)

During the three month period ended 31 March 2014 the Group sold to related parties performing cash and POS loans with the gross value of MRUB 3,387 for MRUB 3,398. The gain of MRUB 11 was recognised in other operating income, net (Note 7).

The Group estimated the impairment on loans to customers in accordance with the accounting policy as described in Note 3(j) of the Group's annual consolidated financial statements for the year ended 31 December 2014.

Changes in collection estimates could affect the impairment losses recognised. For example, to the extent that estimated future cash flows of loans differ by plus/minus one percent, the loan impairment allowance as at 31 March 2015 would be MRUB 2,218 lower/higher (31 December 2014: MRUB 2,448).

As at 31 March 2015 cash loans receivables with the total carrying amount of MRUB 6,222 (31 December 2014: MRUB 6,226) were sold to Eurasia Structured Finance No.3 B.V. and served as collateral in relation to the notes issued by the HC Finance (LLC) as a part of cash loan securitisation transaction (refer to Note 18). Eurasia Structured Finance No.3 B.V. can not sell or repledge these cash loan receivables (unless the enforcement event contemplated by the relevant cash loan document occurs) to other parties save for the obligation of the Bank to repurchase ineligible receivables.

As at 31 December 2014 POS loans receivables with the total carrying amount of MRUB 11,000 served as collateral for a corporate term deposit (refer to Note 21).

Analysis of movements in impairment allowance

Movements in the loan impairment allowance by classes of loans to customers for three month period ended 31 March 2015 were as follows:

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Loans to corporations	Total
Balance at 1 January	**32,133**	**6,198**	**9,234**	**308**	**11**	**-**	**47,884**
Net charge/ (recovery)	7,327	1,699	3,367	97	(1)	-	12,489
Loans recovered and sold which previously were written off	350	122	124	4	2	-	602
Write offs	(11,558)	(2,198)	(3,204)	(43)	(3)	-	(17,006)
Effect of foreign currency translation	72	1	-	-	-	-	73
Balance at 31 March (Unaudited)	**28,324**	**5,822**	**9,521**	**366**	**9**	**-**	**44,042**

Net charge of impairment allowance for cash loans of MRUB 7,327 shown above includes MRUB 2,824 on loans originated under new underwriting criteria since 1 September 2013.

13. Loans to customers (continued)

Movements in the loan impairment allowance by classes of loans to customers for the three month period ended 31 March 2014 were as follows:

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Loans to corporations	Total
Balance at 1 January	**33,286**	**7,433**	**4,968**	**141**	**19**	**18**	**45,865**
Net charge/ (recovery)	11,458	2,218	2,710	(47)	(1)	5	16,343
Loans recovered and sold which previously were written off	267	159	89	59	2	-	576
Write offs	(6,940)	(1,957)	(1,340)	-	(4)	-	(10,241)
Effect of foreign currency translation	(171)	(49)	(2)	-	-	-	(222)
Balance at 31 March (Unaudited)	**37,900**	**7,804**	**6,425**	**153**	**16**	**23**	**52,321**

Net charge of impairment allowance for cash loans of MRUB 11,458 shown above includes MRUB 1,631 on loans originated under new underwriting criteria since 1 September 2013.

14. Positive fair value of derivative instruments

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Hedging derivative instruments	9,410	8,987
Trading derivative instruments	514	583
	9,924	**9,570**

Cash flows of hedging derivative instruments are expected to occur in years 2015 to 2016.

15. Financial assets available for sale

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Quoted debt securities	14,996	18,120
	14,996	**18,120**

16. Property, equipment and intangible assets

(a) Intangible assets

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Cost	5,797	5,296
Accumulated amortisation	(2,787)	(2,394)
Net book value	**3,010**	**2,902**

(b) Property and equipment

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Cost	14,318	15,102
Accumulated depreciation	(6,507)	(6,528)
Impairment losses	-	(242)
Net book value	**7,811**	**8,332**

Movements in the impairment allowance are as follows:

	2015 MRUB	2014 MRUB
Balance at 1 January	**(242)**	**(193)**
Amounts related to offices closed	242	18
Balance at 31 March (unaudited)	**-**	**(175)**

17. Other assets

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Settlements with suppliers	644	941
Taxes other than income	486	595
Prepaid expenses	127	137
Accrued income	18	17
Other	245	206
Impairment allowance	(1)	(2)
	1,519	**1,894**

18. Debt securities issued

	Maturity	Coupon rate	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Unsecured RUB bond issue 7 of MRUB 5,000	April 2015	9.75%	5,092	5,092
Stock exchange RUB bond issue 02 of MRUB 3,000	February 2016	Fixed, 9.40%	3,021	3,020
Cash loan receivables backed notes of MRUB 5,000	November 2021/ November 2016*	8.25%	4,771	4,966
Unsecured KZT bond issue 1 of MKZT 7,000	November 2016	Fixed, 8.50%	2,232	2,134
Unsecured KZT bond issue 2 of MKZT 6,769	February 2019	Fixed, 9.50%	2,106	2,111
			17,222	**17,323**

* Early redemption option date

In April 2010 the Group issued the unsecured RUB denominated bond issue 7 with a fixed coupon rate set for two years. In April 2012 the Group reset a new coupon rate which was valid until the final maturity date. In April 2015 the Group fully repaid the bond issue at par.

In February 2013 the Group issued the RUB denominated Stock exchange bond issue 02 with a fixed coupon rate which is valid until the final maturity.

In November 2013 the Group issued the RUB denominated cash loan receivables backed notes through HC Finance (LLC) with a fixed coupon rate which is valid until the coupon payment date on 19 January 2017 and capped floating coupon rate from 20 January 2017 till the final maturity. The proceeds from the issue were used to grant an unsecured loan to Eurasia Structured Finance No. 3 B.V. This loan was used to obtain cash loan receivables from the Bank (Note 13). The Bank issued the public offer to purchase the outstanding securitisation bonds on 27 November 2016. As at 31 March 2015 the Group bought back cash loan receivables backed notes with a cumulative par value of MRUB 201; during three month period ended 31 March 2015 gain from buy-back of MRUB 18 (during three month period ended 31 March 2014: none) was recognised in other operating income, net (Note 7).

In November 2013 the Group issued the unsecured KZT denominated bond issue 1 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.

Eurasia Capital S.A., HC Finance (LLC), HC Finance No.2 (LLC), Eurasia Structured Finance No.3 B.V. and Eurasia Structured Finance No.4 B.V. are structured entities established by the Group with the primary objective of raising finance through the issuance of debt securities and securitising part of consumer loan portfolio. These structured entities are run according to pre-determined criteria that are part of the initial design of the vehicles. The day-to-day servicing of the receivables is carried out by the Group under a servicing contract, other key decisions are also made by the Group. In addition, the Group is exposed to a variability of returns from the vehicles through exposure to tax benefits, cost savings related to issuance of debt securities and securitizing part of consumer loan portfolio. As a result, the Group concludes that it controls these structured entities.

19. Subordinated debt

	Maturity	Coupon rate	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Loan participation notes issue of MUSD 500	April 2020/ April 2018*	Fixed, 9.38%	26,902	25,608
Loan participation notes issue of MUSD 200	April 2021/ April 2019*	Fixed, 10.50%	12,212	11,454
Subordinated borrowings from the parent, MKZT 640	December 2016/ January 2015*	16.00%	-	197
			39,114	**37,259**

** Early redemption option date / Repayment date*

In October 2012 the Group issued the MUSD 500 of subordinated seven and a half year loan participation notes at the fixed rate of 9.38% through Eurasia Capital S.A. The terms of the loan agreement include the call option executable on 24 April 2018 ("the reset date"). After the reset date the interest rate is determined as two year US treasuries rate + 862.4 b.p. The proceeds from the issue were used to grant a subordinated loan to the Bank. In November 2012 the issue was registered with the CBR. As at 31 March 2015 the Group bought back the loan participation notes with a cumulative par value of MUSD 57; during three month period ended 31 March 2015 gain from buy-back of MRUB 76 (during three month period ended 31 March 2014: none) was recognised in other operating income, net (Note 7). In May 2015 the Group bought back the loan participation notes with a par value of MUSD 214.

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 the call option executable on 17 April 2019 ("the reset date"). After the reset date the interest rate is determined as two year US treasuries rate + 903 b.p. In November 2013 the issue was registered with the CBR.

In January 2015 the Group repaid prematurely subordinated borrowings from the parent at par.

20. Due to banks and other financial institutions

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Unsecured loans	13,544	31,633
Secured loans	-	6,973
Other balances	161	190
	13,705	**38,796**

As at 31 December 2014 the Group pledged and transferred financial assets available for sale with carrying amount of MRUB 7,542 (Note 15) as collateral for secured loans that had recourse only to the transferred assets. 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 assets available for sale and related secured loans was equal to their carrying amount and net position was MRUB 569.

21. Current accounts and deposits from customers

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Retail		
Term deposits	182,555	151,559
Current accounts and demand deposits	17,149	19,341
	199,704	170,900
Corporate		
Term deposits	7,092	16,095
Current accounts and demand deposits	706	268
	7,798	16,363
	207,502	**187,263**

As at 31 December 2014 the balance of corporate term deposit secured by POS loan receivables was MRUB 5,749 (refer to Note 13). The Group determined that it retained substantially all the risks and rewards related to these POS loan receivables and therefore did not derecognise them.

22. Negative fair value of derivative instruments

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Trading derivative instruments	169	163
	169	**163**

23. Other liabilities

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Settlements with suppliers	1,814	2,109
Accrued employee compensation	1,565	1,369
Other taxes payable	548	833
Provision for litigations	184	186
Accrued payments to the Deposits Insurance Agency	180	177
Provision for restructuring	13	98
Other	448	479
	4,752	**5,251**

Movements in the provision for litigations are as follows:

	2015 MRUB	2014 MRUB
Balance at 1 January	**186**	**154**
Net charge	19	63
Amounts paid	(21)	(69)
Balance at 31 March (unaudited)	**184**	**148**

23. Other liabilities (continued)

Movements in the provision for restructuring are as follows:

	2015 MRUB	2014 MRUB
Balance at 1 January	**98**	**99**
Amounts related to offices closed	(85)	(63)
Balance at 31 March (unaudited)	**13**	**36**

24. Risk management, corporate governance and internal control

The following table shows assets and liabilities as at 31 March 2015 and 31 December 2014 by remaining contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the statement of financial position amount is based on discounted cash flows. Under Russian law, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. The management believes that the majority of deposits will be withdrawn in accordance with their contractual maturity dates as presented in the table below.

	31 March 2015 (Unaudited)							31 December 2014						
MRUB	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No maturity**	**Total**
Assets														
Cash and cash equivalents	47,587	-	-	-	-	-	47,587	33,887	-	-	-	-	-	33,887
Placements with banks and other financial institutions	-	-	9,691	5,062	-	3,809	18,562	-	-	7,522	4,933	-	3,732	16,187
Loans to customers	21,979	43,905	137,064	114,935	2,469	-	320,352	24,066	48,395	144,428	111,365	1,945	-	330,199
Positive fair value of derivative instruments	38	828	8,728	719	-	-	10,313	(9)	13	3,994	5,993	-	-	9,991
Financial assets available for sale	1,849	7,622	5,851	-	-	-	15,322	985	14,042	3,260	-	-	-	18,287
Property, equipment and intangible assets	-	-	-	-	-	10,821	10,821	-	-	-	-	-	11,234	11,234
Assets held for sale	-	-	212	-	-	-	212	-	-	390	-	-	-	390
Investment in associate	-	-	-	-	-	58	58	-	-	-	-	-	154	154
Deferred tax asset	-	-	-	-	-	4,235	4,235	-	-	-	-	1,921	621	2,542
Current income tax receivable	-	-	781	-	-	-	781	-	-	823	-	-	-	823
Other assets	359	-	1,118	42	-	-	1,519	221	155	1,482	36	-	-	1,894
Total assets	**71,812**	**52,355**	**163,445**	**120,758**	**2,469**	**18,923**	**429,762**	**59,150**	**62,605**	**161,899**	**122,327**	**3,866**	**15,741**	**425,588**
Liabilities														
Debt securities issued	5,156	115	3,869	10,317	-	-	19,457	156	239	5,927	13,481	-	-	19,803
Subordinated debt	1,844	-	1,844	48,060	-	-	51,748	3	5	3,573	46,780	-	-	50,361
Due to banks and other financial institutions	3,948	1,598	8,303	344	-	-	14,193	12,364	16,802	9,195	614	-	-	38,975
Current accounts and deposits from customers	31,884	36,402	149,340	4,125	-	-	221,751	35,366	42,888	96,383	22,940	-	-	197,577
Negative fair value of derivative instruments	169	-	-	-	-	-	169	132	33	-	-	-	-	165
Deferred tax liability	-	-	-	-	-	38	38	-	-	-	-	-	37	37
Other liabilities	3,231	888	633	-	-	-	4,752	3,201	1,082	968	-	-	-	5,251
Total liabilities	**46,232**	**39,003**	**163,989**	**62,846**	**-**	**38**	**312,108**	**51,222**	**61,049**	**116,046**	**83,815**	**-**	**37**	**312,169**
Net balance position	**25,580**	**13,352**	**(544)**	**57,912**	**2,469**	**18,885**	**117,654**	**7,928**	**1,556**	**45,853**	**38,512**	**3,866**	**15,704**	**113,419**
Irrevocable credit related commitments	2,067	-	55	823	-	-	2,945	2,237	-	1,038	7	-	-	3,282
Financial guarantees	600	500	-	-	-	-	1,100	-	2,000	10,700	600	-	-	13,300
Net off-balance position	**2,667**	**500**	**55**	**823**	**-**	**-**	**4,045**	**2,237**	**2,000**	**11,738**	**607**	**-**	**-**	**16,582**
Cumulative net position	**22,913**	**35,765**	**35,166**	**92,255**	**94,724**	**113,609**		**5,691**	**5,247**	**39,362**	**77,267**	**81,133**	**96,837**	

24. Risk management, corporate governance and internal control (continued)

Fair value of financial instruments

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The following assumptions are used by management to estimate the fair values of financial instruments that are traded in active markets:

- The estimation of the fair value of debt securities issued was made by using market quotes in the range of 92.5-99.4% from notional amount for debt securities issued in RUB
- The estimation of the fair value of subordinated debt was made by using market quotes in the range of 79.9-80.5% from notional amount for subordinated debt issued in USD.

The following assumptions are used by management to estimate the fair values of other financial instruments:

- The estimation of the fair value of POS, cash and credit card loans was made by using discounting future cash flows at discount rates of 33.0%. The estimation of the fair value of mortgage loans was made by using discounting future cash flows at discount rates of 12.5%
- The estimation of the fair value of placements with banks and other financial institutions was made by using discounting future cash flows at discount rates of 15.0% in RUB, 7.0% in USD
- The estimation of the fair value of debt securities issued was made by using discounting future cash flows at discount rates of 10.5-11.0% in KZT
- 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 12.0% in RUB and 15.2% 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 15.3% in RUB, 5.4% in USD, 5.1% in EUR and 8.9% 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 consolidated statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

· Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
· Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data
· Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

24. Risk management, corporate governance and internal control (continued)

The Group has a control framework with respect to the measurement of fair values. This framework includes the Risk Department, which is independent of front office management and reports to the Chief Risk Officer, and which has overall responsibility for the independent verification of the results of trading and investment operations and all significant fair value measurements.

Specific controls include:

- verification of observable pricing
- re-performance of model valuations
- a review and approval process for new models and changes to models involving both quarterly calibration and the back testing of models against observed market transactions
- analysis and investigation of significant daily valuation movements
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Risk Department assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet IFRS requirements. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument
- understanding how the fair value has been arrived at the extent to which it represents actual market transactions
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

Significant valuation issues are reported to the Board of Management.

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement was categorised as at 31 March 2015:

MRUB	Carrying amount (Unaudited)	Fair value (Unaudited) Level 1	Level 2	Level 3	Total
Assets					
Loans to customers	221,788	-	-	205,115	205,115
Liabilities					
Debt securities issued	17,222	7,950	8,671	-	16,621
Subordinated debt	39,114	31,714	-	-	31,714
Current accounts and deposits from customers	207,502	-	206,867	-	206,867

24. Risk management, corporate governance and internal control (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 2014:

MRUB	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Assets					
Loans to customers	244,779	-	-	228,106	228,106
Liabilities					
Debt securities issued	17,323	7,944	8,615	-	16,559
Subordinated debt	37,259	26,105	197	-	26,302
Current accounts and deposits from customers	187,263	-	182,994	-	182,994

The estimates of fair values of financial assets other than loans to customers and financial liabilities other than debt securities issued, subordinated debt and current accounts and deposits from customers as at 31 March 2015 and 31 December 2014 are not materially different from their carrying values.

The table below analyses financial instruments measured at fair value as at 31 March 2015, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	Level 1	Level 2	Level 3	Total
		(Unaudited)		
Assets				
Positive fair value of derivative instruments	-	9,809	115	9,924
Financial assets available for sale	14,996	-	-	14,996
Liabilities				
Negative fair value of derivative instruments	-	169	-	169

The following table shows a reconciliation for the three month period ended 31 March 2015 for fair value measurements in Level 3 of the fair value hierarchy (three month period ended 31 March 2014: none):

MRUB	Trading derivative instruments
Balance at the beginning of the period	**90**
Revaluation during the period, recognised in profit and loss	25
Balance at the end of the period (Unaudited)	**115**

24. Risk management, corporate governance and internal control (continued)

The table below analyses financial instruments measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Positive fair value of derivative instruments	-	9,480	90	9,570
Financial assets available for sale	18,120	-	-	18,120
Liabilities				
Negative fair value of derivative instruments	-	163	-	163

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing the estimated discount rates by 1% fall or rise, would have the following effects:

	31 Mar 2015 0 (Unaudited)	**31 Dec 2014 0**
Effect on profit or loss		
Favourable	15	13
Unfavourable	(5)	(5)

25. Commitments

Credit related commitments

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

	31 Mar 2015 MRUB (Unaudited)	**31 Dec 2014 MRUB**
Credit card commitments	21,105	19,581
Guarantee provided	1,100	13,300
POS and cash loan commitments	2,067	2,237
Undrawn overdraft facilities to corporations	878	1,045
	25,150	**36,163**

The total outstanding contractual commitments to extend credit indicated above represent future cash requirements. Credit related commitments are mainly classified into category “less than one month” in terms of maturity, however some of these commitments may expire or terminate without being funded.

26. Operating leases

The Group leases a number of premises and equipment under operating leases. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

Non-cancellable operating lease rentals are payable as follows:

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Less than one year	1,113	1,687
Between one and five years	2,192	3,319
More than five years	222	315
	3,527	**5,321**

During the three month period ended 31 March 2015 MRUB 525 (three month period ended 31 March 2014: MRUB 860) was recognised as an expense in the consolidated statement of profit or loss in respect of operating leases (Note 9).

27. Contingencies

Taxation contingencies

The taxation systems in the Russian Federation and the Republic of Kazakhstan are relatively new and are characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three and five subsequent calendar years accordingly; however, under certain circumstances a tax year may remain open longer. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

These circumstances may create tax risks in the Russian Federation and the Republic of Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian and Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

28. Related party transactions

(a) Transactions with the parent

Amounts included in the consolidated statement of profit or loss in relation to transactions with the parent are as follows:

	3 month ended 31 Mar 2015 MRUB (Unaudited)	3 month ended 31 Mar 2014 MRUB (Unaudited)
Interest income	254	69
Interest expense	(3)	(4)
Gain from foreign exchange revaluation of financial assets and liabilities	466	268
	717	**333**

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

	31 Mar 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Placements with banks and other financial institutions	13,898	11,639
Subordinated debt	-	(197)
	13,898	**11,442**

As at 31 March 2015 placements with banks and other financial institutions shown above included term deposits in the amount of MRUB 13,898 at an effective interest rate of 8.14% with a maturity of three months to two years (31 December 2014: MRUB 11,639 at an effective interest rate of 6.9% with a maturity of three months to two years).

As at 31 December 2014 subordinated debt amounted to MRUB 197 at an effective interest rate of 16.0% with a maturity of one to five years.

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

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

	3 month ended 31 Mar 2015 MRUB (Unaudited)	3 month ended 31 Mar 2014 MRUB (Unaudited)
Interest income	(90)	(96)
Interest expense	(696)	(346)
Fee and commission income	164	487
Gain from foreign exchange revaluation of financial assets and liabilities	132	141
Net loss on spot transactions and currency derivatives	-	(252)
Gain from sale of loans	-	11
Other operating income	1	-
General administrative expenses	(309)	(239)
	(798)	**(294)**

28. Related party transactions (continued)

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

	31 Mar 2015 MRUB (Unaudited)	**31 Dec 2014 MRUB**
Cash and cash equivalents	37	100
Placements with banks and other financial institutions	267	-
Loans to customers	158	228
Property, equipment and intangible assets	539	788
Other assets	20	43
Debt securities issued	(81)	(81)
Subordinated debt	(10,939)	(7,273)
Due to banks and other financial institutions	(7,747)	(9,186)
Current accounts and deposits from customers	(1,941)	(9,995)
Other liabilities	(143)	(210)
	(19,830)	**(25,586)**

As at 31 March 2015 loans to customers shown above included loan origination agent fees paid totalling MRUB 158 which formed an integral part of loans to customers and were to be amortised within 15 months (31 December 2014: MRUB 228).

The effective interest rate on debt securities issued shown above was 9.6% and the maturity was one month to two years as at 31 March 2015 (31 December 2014: 9.7% and one month to two years respectively).

As at 31 March 2015 due to banks and other financial institutions included term deposits with the effective interest rate of 9.7% and the maturity from one month to five years (31 December 2014: 9.5% with the maturity from one month to five years).

As at 31 March 2015 current accounts and deposits from customers included deposits of MRUB 1,882 at an effective interest rate of 11.0% with the maturity from one month to three months and other balances of MRUB 59 with the maturity of less than one month (31 December 2014: a deposit of MRUB 9,861 at an effective interest rate of 21.4% with the maturity from one month to three months and other balances of MRUB 134 with the maturity of less than one month).

As at 31 March 2015 the effective interest rate on subordinated debt shown above was 9.6% and the maturity from three months to five years (31 December 2014: 9.9% with the maturity from three months to five years).

(c) Transactions with members of key management

Amounts included in the consolidated 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 109 (three month period ended 31 March 2014: MRUB 109) represent compensation for the period.

29. Capital management

The Group's lead regulator, the CBR, sets and monitors capital requirements for both the Bank and the Group as a whole. Bank Home Credit (SB JSC) is regulated and monitored in Kazakhstan by the NBRK.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Starting from 1 January 2014 the Group calculates the amount of capital and capital adequacy ratios for prudential purposes in accordance with the Provision of the CBR dated 28 December 2012 No 395–P *On methodology of calculation of own funds (capital) of the credit organisations (Basel III).* As at 31 March 2015, this minimum levels of core capital, primary capital and total capital to risk weighted assets were 5.0%, 6.0% and 10.0% respectively (31 December 2014: 5.0%, 5.5% and 10.0% respectively).

The Group maintains capital adequacy at the level appropriate to the nature and volume of its operations.

The Group provides the territorial CBR that supervise the Bank with information on mandatory ratios in accordance with set form. The Accounting department controls on a daily basis compliance with capital adequacy ratios.

The calculation of capital adequacy of the Group based on requirements set by the CBR as at 31 March 2015 and 31 December 2014 was as follows:

	31 Mar 2015 MRUB (Unaudited)	**31 Dec 2014 MRUB**
Risk-weighted assets	**460,059**	**485,221**
Core capital	44,400	47,494
Primary capital	44,400	47,494
Additional capital	23,223	26,242
Total capital	**67,623**	**73,736**
Core capital adequacy ratio N20.1	**9.7%**	**9.8%**
Primary capital adequacy ratio N20.2	**9.7%**	**9.8%**
Total capital adequacy ratio N20.0	**14.7%**	**15.2%**

The Group also calculates its capital adequacy in compliance with the methodology 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.

The calculation of capital adequacy based on requirements set by BIS as at 31 March 2015 and 31 December 2014 was as follows:

	31 Mar 2015 MRUB (Unaudited)	**31 Dec 2014 MRUB**
Risk weighted assets	**289,833**	**308,878**
Tier I capital	44,923	52,648
Tier II capital	19,524	22,763
Total capital	**64,447**	**75,411**
Tier I ratio	15.5%	17.0%
Capital Adequacy Ratio	22.2%	24.4%

As at 31 March 2015 and 31 December 2014 and during the reporting period the Group was fully in compliance with the capital regulations described above.

30. Segment analysis

The Board of Management is the chief operating decision maker. The Board of Management reviews internal reporting on a regular basis to assess the performance of individual segments and to allocate resources accordingly.

The Board of Management monitors performance mainly from a product perspective and geographical perspective.

Operational information is represented by major reportable segments being POS loans, cash loans and credit card loans. Other segments comprising mortgage loans, car loans, loans to corporations and treasury operations are less significant and thus are not reported separately by the Group.

The Group operates in the Russian Federation and the Republic of Kazakhstan. In presenting geographical information the allocation of revenue is based on the geographical location of customers and assets.

Revenues of reportable segments consist of interest and fee income including inter-segment revenues resulting from allocation of financing raised by the treasury function to major segments. Performance of individual segments is assessed by the Board of Management based on segment profit or loss.

Total segment assets mainly consist of the loan portfolio and interest earning financial assets accumulated as a result of treasury operations. A presentation of segment revenues, segment profit and assets is provided below.

(a) Operational segments

MRUB	**POS loans**	**Credit card loans**	**Cash loans**	**Other segments**	**Total**
3 month period ended 31 March 2015 (Unaudited)					
External interest income	2,218	2,900	10,176	1,332	**16,626**
Fee and commission income	1,255	757	1,199	150	**3,361**
Inter segment revenue	-	-	-	6,762	**6,762**
Total revenues	**3,473**	**3,657**	**11,375**	**8,244**	**26,749**
External interest expense	-	-	-	(8,500)	**(8,500)**
Inter segment interest expense	(969)	(885)	(5,361)	-	**(7,215)**
Inter segment other operating income, net	57	59	337	-	**453**
Fee and commission expense	(31)	(247)	(173)	(14)	**(465)**
Other operating income, net	8	-	20	389	**417**
Impairment losses	(1,699)	(3,367)	(7,327)	(96)	**(12,489)**
Total expenses	**(2,634)**	**(4,440)**	**(12,504)**	**(8,221)**	**(27,799)**
Segment profit/(loss)	**839**	**(783)**	**(1,129)**	**23**	**(1,050)**

30. Segment analysis (continued)

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
3 month period ended 31 March 2014 (Unaudited)					
External interest income	2,800	3,194	14,598	380	**20,972**
Fee and commission income	1,952	922	1,989	110	**4,973**
Inter segment revenue	-	-	-	5,820	**5,820**
Total revenues	**4,752**	**4,116**	**16,587**	**6,310**	**31,765**
External interest expense	-	-	-	(6,386)	**(6,386)**
Inter segment interest expense	(824)	(545)	(4,478)	-	**(5,847)**
Inter segment other operating income, net	4	3	20	-	**27**
Fee and commission expense	(60)	(141)	(97)	(80)	**(378)**
Other operating income, net	15	-	9	29	**53**
Impairment losses	(2,218)	(2,710)	(11,458)	43	**(16,343)**
Total expenses	**(3,083)**	**(3,393)**	**(16,004)**	**(6,394)**	**(28,874)**
Segment profit/(loss)	**1,669**	**723**	**583**	**(84)**	**2,891**

Segment assets

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
Carrying amount at 31 March 2015 (Unaudited)	51,614	34,290	131,329	75,940	**293,173**
Carrying amount at 31 December 2014	57,438	37,186	145,390	51,683	**291,697**

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

	3 month period ended 31 Mar 2015 MRUB (Unaudited)	3 month period ended 31 Mar 2014 MRUB (Unaudited)
Segment revenues	**26,749**	**31,765**
Inter segment revenue	(6,762)	(5,820)
Unallocated fee and comission income	71	65
Total revenues	**20,058**	**26,010**

30. Segment analysis (continued)

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

	3 month period ended 31 Mar 2015 MRUB (Unaudited)	**3 month period ended 31 Mar 2014 MRUB (Unaudited)**
Segment profit for reportable segments	**(1,050)**	**2,891**
Unallocated fee and comission income	71	65
Unallocated fee and comission expense	(359)	(311)
Unallocated other operating income	(65)	67
Unallocated impairment losses	-	(9)
General administrative expenses	(5,696)	(6,739)
Loss before tax	**(7,099)**	**(4,036)**

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

	31 Mar 2015 MRUB (Unaudited)	**31 Dec 2014 MRUB**
Total segment assets	**293,173**	**291,697**
Cash and cash equivalents (excluded from other segments)	16,342	27,588
Placements with banks and other financial institutions (excluded from other segments)	2,478	2,418
Property, equipment and intangible assets	10,821	11,234
Assets classified as held for sale	212	390
Investment in associate	58	154
Income tax asset	5,016	3,365
Other assets	1,519	1,894
Total assets	**329,619**	**338,740**

30. Segment analysis (continued)

(b) Geographical segments

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
3 month period ended 31 March 2015 (Unaudited)				
External interest income	13,958	2,668	-	**16,626**
Fee and commission income	2,111	1,321	-	**3,432**
Inter segment revenue	53	-	(53)	-
Total revenues	**16,122**	**3,989**	**(53)**	**20,058**
External interest expense	(8,006)	(494)	-	**(8,500)**
Inter segment interest expense	-	(53)	53	-
Inter segment other operating income/(expense), net	260	(45)	-	**215**
Fee and commission expense	(757)	(67)	-	**(824)**
Other operating income, net	1,275	(193)	(945)	**137**
Impairment losses	(11,163)	(1,326)	-	**(12,489)**
General administrative expenses	(4,470)	(1,226)	-	**(5,696)**
Total expenses	**(22,861)**	**(3,404)**	**(892)**	**(27,157)**
(Loss)/profit before tax	**(6,739)**	**585**	**(945)**	**(7,099)**
Income tax benefit/(expense)	1,571	(120)	-	**1,451**
(Loss)/profit for the period	**(5,168)**	**465**	**(945)**	**(5,648)**

30. Segment analysis (continued)

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
3 month period ended 31 March 2014 (Unaudited)				
External interest income	20,109	1,757	-	**21,866**
Fee and commission income	4,240	798	-	**5,038**
Inter segment revenue	79	-	(79)	-
Total revenues	**24,428**	**2,555**	**(79)**	**26,904**
External interest expense	(6,917)	(359)	-	(7,276)
Inter segment interest expense	-	(79)	79	-
Inter segment other operating income/(expense), net	174	-	-	**174**
Fee and commission expense	(635)	(54)	-	**(689)**
Other operating income, net	(154)	96	-	**(58)**
Impairment losses	(15,462)	(890)	-	**(16,352)**
General administrative expenses	(5,975)	(764)	-	**(6,739)**
Total expenses	**(28,969)**	**(2,050)**	**79**	**(30,940)**
(Loss)/profit before tax	**(4,541)**	**505**	**-**	**(4,036)**
Income tax benefit/(expense)	874	(109)	-	**765**
(Loss)/profit for the period	**(3,667)**	**396**	**-**	**(3,271)**

Segment assets

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Carrying amount at 31 March 2015 (Unaudited)	297,206	36,424	(4,011)	**329,619**
Carrying amount at 31 December 2014	308,758	34,417	(4,435)	**338,740**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova