Home Credit and Finance Bank

Condensed Consolidated Interim Financial Statements
for the six month period ended 30 June 2019

(unaudited)

Contents

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

To the Participants and the Council

OOO "Home Credit and Finance Bank".

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of OOO "Home Credit and Finance Bank" (the "Bank") and its subsidiaries (the "Group") as at 30 June 2019, and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Other matter

The condensed consolidated interim financial information for the three-month periods ended 30 June 2019 and 30 June 2018 is not reviewed.

Shevarenkov E. V.

Director

JSC "KPMG"

Moscow, Russia

29 August 2019

(Unaudited) MRUB	Note	6 month period ended 30 June 2019	6 month period ended 30 June 2018	3 month period ended 30 June 2019	3 month period ended 30 June 2018
Interest income calculated using effective interest rate	4	27,969	26,064	13,964	13,120
Interest expense	4	(8,520)	(8,980)	(4,200)	(4,407)
Net interest income		**19,449**	**17,084**	**9,764**	**8,713**
Fee and commission income	5	6,118	5,635	3,309	3,052
Fee and commission expense	6	(2,523)	(1,917)	(1,375)	(1,024)
Net fee and commission income		**3,595**	**3,718**	**1,934**	**2,028**
Other operating (losses)/income, net	7	(269)	140	(69)	47
Operating income		**22,775**	**20,942**	**11,629**	**10,788**
(Charge of)/reversal for impairment losses	8	(671)	(2,314)	225	(1,255)
General administrative expenses	9	(11,114)	(10,491)	(5,584)	(5,679)
Operating expenses		**(11,785)**	**(12,805)**	**(5,359)**	**(6,934)**
Profit before tax		**10,990**	**8,137**	**6,270**	**3,854**
Income tax expense	10	(2,219)	(1,624)	(1,280)	(769)
Profit for the period		**8,771**	**6,513**	**4,990**	**3,085**

The condensed consolidated interim financial statements as set out on pages 5 to 48 were approved by the Board of Management on 29 August 2019.

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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

(Unaudited) MRUB	6 month period ended 30 June 2019	6 month period ended 30 June 2018	3 month period ended 30 June 2019	3 month period ended 30 June 2018
Profit for the period, recognised in condensed consolidated interim statement of profit or loss	**8,771**	**6,513**	**4,990**	**3,085**
Other comprehensive (loss)/income that is or may be reclassified subsequently to profit or loss				
Revaluation reserve for investment securities:				
- net change in fair value, net of tax	60	(156)	16	(223)
- net change in fair value transferred to profit or loss, net of tax	5	(2)	(9)	14
- changes of expected credit loss allowance, net of tax	(61)	(50)	-	(49)
Effect of foreign currency translation	(1,024)	492	(359)	179
Other comprehensive (loss)/income for the period, net of tax	**(1,020)**	**284**	**(352)**	**(79)**
Total comprehensive income for the period	**7,751**	**6,797**	**4,638**	**3,006**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

ООО "ХКФ Банк" HCF Bank

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

MRUB **ASSETS**	**Note**	**30 June 2019 (Unaudited)**	**31 Dec 2018**
Cash and cash equivalents	11	29,789	28,965
Placements with banks and other financial institutions	12	4,777	5,193
Loans to customers	13	247,284	245,354
Positive fair value of derivative instruments		136	144
Investment securities	14	19,912	35,910
incl. pledged under repo agreements		*1,573*	*2,622*
Assets classified as held for sale		182	212
Property, equipment and intangible assets	15	9,236	7,459
Investment in associate		109	228
Current income tax receivable		321	5
Deferred tax asset		2,678	2,750
Other assets	16	1,672	1,570
Total assets		**316,096**	**327,790**
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	17	7,402	9,127
Subordinated debt	18	-	11,150
Due to banks and other financial institutions	19	12,664	15,561
Current accounts and deposits from customers	20	219,092	222,090
Negative fair value of derivative instruments		553	54
Current income tax liabilitiy		343	238
Other liabilities	21	7,475	6,484
Total liabilities		**247,529**	**264,704**
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for investment securities		19	15
Translation reserve		(2,005)	(981)
Retained earnings		55,516	49,015
Total equity		**68,567**	**63,086**
Total liabilities and equity		**316,096**	**327,790**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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

	Attributable to equity holders of the Group					
MRUB	**Charter capital**	**Other capital contributions**	**Revaluation reserve for investment securities**	**Translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2018	**4,406**	**10,631**	**48**	**(1,300)**	**37,622**	**51,407**
Profit for the period	-	-	-	-	6,513	6,513
Revaluation reserve for investment securities:						
- net change in fair value, net of tax	-	-	(156)	-	-	(156)
- net change in fair value transferred to profit or loss, net of tax	-	-	(2)	-	-	(2)
- changes of expected credit loss allowance, net of tax	-	-	(50)	-	-	(50)
Effect of foreign currency translation	-	-	-	492	-	492
Total comprehensive income/(loss) for the period	-	-	(208)	492	6,513	6,797
Dividends declared and paid	-	-	-	-	(1,500)	(1,500)
Balance at 30 June 2018 (unaudited)	**4,406**	**10,631**	**(160)**	**(808)**	**42,635**	**56,704**

MRUB	**Charter capital**	**Other capital contributions**	**Revaluation reserve for investment securities**	**Translation reserve**	**Retained earnings**	**Total**
Balance at 1 January 2019	**4,406**	**10,631**	**15**	**(981)**	**49,015**	**63,086**
Profit for the period	-	-	-	-	8,771	8,771
Revaluation reserve for investment securities:						
- net change in fair value, net of tax	-	-	60	-	-	60
- net change in fair value transferred to profit or loss, net of tax	-	-	5	-	-	5
- changes of expected credit loss allowance, net of tax	-	-	(61)	-	-	(61)
Effect of foreign currency translation	-	-	-	(1,024)	-	(1,024)
Total comprehensive income/(loss) for the period	-	-	4	(1,024)	8,771	7,751
Dividends declared and paid	-	-	-	-	(2,270)	(2,270)
Balance at 30 June 2019 (unaudited)	**4,406**	**10,631**	**19**	**(2,005)**	**55,516**	**68,567**

Chairman of the Board of Management

Y. Andresov

ООО "ХКФ Банк" HCF Bank

Chief Financial Officer

I. Kolikova

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

(Unaudited) MRUB	Note	6 month period ended 30 June 2019	6 month period ended 30 June 2018
Cash flow from operating activities			
Interest received		27,991	27,278
Interest paid		(7,182)	(9,258)
Fees and commissions received		6,091	5,621
Fees and commissions paid		(2,736)	(2,088)
Net receipts from foreign exchange transactions		(108)	451
Other operating income received		70	31
Administrative and other operating expenses paid		(10,805)	(9,804)
Income tax paid		(2,349)	(1,128)
Cash flows from operating activities before changes in operating assets and liabilities		**10,972**	**11,103**
Changes in operating assets and liabilities			
Net increase in placements with banks and other financial institutions		(37)	(616)
Net increase in loans to customers		(6,828)	(17,894)
Net decrease in investment securities		15,364	17,572
Net (increase)/decrease in other assets		(131)	65
Net (decrease)/increase in current accounts and deposits from customers		(1,510)	15,198
Net decrease in due to banks and other financial institutions		(1,574)	(3,684)
Net increase/(decrease) in other liabilities		44	(105)
Net cash from operating activities		**16,300**	**21,639**
Cash flows used in investing activities			
Dividends from associate		261	125
Proceeds from sale of property and equipment		4	7
Acquisition of property, equipment and intangible assets		(727)	(980)
Net cash used in investing activities		**(462)**	**(848)**
Cash flows used in financing activities			
Proceeds from the issue of debt securities		9	-
Repayments of debt securities issued		(1,182)	-
Repayments of subordinated debt		(10,097)	(14,210)
Lease obligation paid		(357)	-
Dividends paid		(2,270)	(1,500)
Net cash used in financing activities		**(13,897)**	**(15,710)**
Net increase in cash and cash equivalents		1,941	5,081
Effect of exchange rate changes on cash and cash equivalents		(1,117)	1,010
Effect of changes in expected credit losses allowance on cash and cash equivalents		-	1
Cash and cash equivalents at 1 January	11	28,965	23,040
Cash and cash equivalents at 30 June	11	**29,789**	**29,132**

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

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

1. Description of the Group

OOO "Home Credit and Finance Bank" (the "Bank") was established in the Russian Federation as a Limited Liability Company and was granted its banking licence in 1990. In 2002 the Bank was acquired by Home Credit Group. On 15 March 2012 the Bank received General Banking Licence #316 from the Central Bank of Russia (the "CBR"). The Bank together with its subsidiaries is further referred to as the Group.

Registered office

8/1 Pravda st
Moscow 125040
Russian Federation

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

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

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

Eurasia Capital S.A., Eurasia Structured Finance No.3 B.V. and Eurasia Structured Finance No.4 B.V. are special purpose entities established to facilitate the Group's issues of debt securities and subordinated debt.

Associate	**Country of incorporation**	**Ownership interest (%)**	
		30 June 2019 (Unaudited)	**31 Dec 2018**
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00

Council		**Board of Management**	
Jiri Smejc	Chairman	Yuriy Andresov	Chairman
Irina Kolikova	Deputy Chairman	Artem Aleshkin	Deputy Chairman
Galina Vaisband	Member	Aleksandr Antonenko	Deputy Chairman
Yuly Tai	Member	Martin Schaffer	Deputy Chairman
		Olga Egorova	Member

1. Description of the Group (continued)

Principal activities

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

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

As at 30 June 2019 the Bank's distribution network comprised the head office in Moscow and 221 standard banking offices, 3,562 loan offices, 73 regional centres, 2 representative offices and over 109 thousand points of sale in the Russian Federation. As at 30 June 2019 the ATM network comprised 700 ATMs and payment terminals across the Russian Federation.

As at 30 June 2019 the distribution network in Kazakhstan comprised 45 standard banking offices, 9,834 loan offices and points of sale, 246 Kazakhstan post offices and 591 ATMs and payment terminals across the country.

2. Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements follow, in the context of measurement, all requirements of International Financial Reporting Standards (IFRS). The disclosures in these condensed consolidated interim financial statements have been presented in accordance with IAS 34 Interim Financial Reporting, and therefore should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

(b) Basis of measurement

The condensed consolidated interim financial statements are prepared on the historical cost or amortised historical cost basis except that financial instruments at fair value through profit or loss and financial assets at FVOCI are measured at fair value. Non-financial assets and liabilities are valued at historical cost, restated for the effects of inflation as described in Note 3(e) of the Group's annual consolidated financial statements for the year ended 31 December 2018.

(c) Presentation and functional currency

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

2. Basis of preparation (continued)

(d) Business environment

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

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

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

(e) Use of estimates and judgments

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

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

The areas where estimates and judgments have the most significant impact are recognition of deferred tax asset and measurement of impairment. In particular, information about significant areas of estimation, uncertainty and critical judgments made by management in preparing these condensed consolidated interim financial statements is described in Note 3(b)(i) of the Group's annual consolidated financial statements for the year ended 31 December 2018.

3. Significant accounting policies

Except as described below, accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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

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

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

3. Significant accounting policies (continued)

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

IFRS 16 Leases (adopted from 1 January 2019)

In January 2016 IASB issued a new Standard on leases. The standard requires companies to bring most leases on-balance sheet, recognising new assets and liabilities. IFRS 16 eliminates the classification of leases as either operating or finance for lessees and, instead, introduces a single lessee accounting model. This model reflects that leases result in a company obtaining the right to use an asset (the 'lease asset') at the start of the lease and, because most lease payments are made over time, also obtaining financing. As a result, the new Standard requires lessees to account for all of their leases in a manner similar to how finance leases were treated applying IAS 17. IFRS 16 includes two exemptions from recognising assets and liabilities for (a) short-term leases (i.e. leases of 12 months or less) and (b) leases of low-value items (such as personal computers).

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

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

Definition of a lease

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

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

As a lessee

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

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

(Unaudited)	**Note**	**Right-of-use assets**	
MRUB		**Property**	**Total**
Balance at 1 January 2019		2,203	2,203
Balance at 30 June 2019	15	1,903	1,903

3. Significant accounting policies (continued)

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

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

Transition

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

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impacts on transition

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

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

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

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

Impact for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RUB 2,203 million of right-of-use assets and RUB 2,203 million of lease liabilities as at 1 January 2019. Also in relation to those leases under IFRS 16, the Group recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RUB 300 million of depreciation charges and RUB 119 million of interest costs from these leases.

4. Interest income and interest expense

(Unaudited) MRUB	6 month period ended 30 June 2019	6 month period ended 30 June 2018	3 month period ended 30 June 2019	3 month period ended 30 June 2018
Interest income calculated using effective interest rate				
Loans to individuals	26,484	24,303	13,266	12,304
Investment securities	733	1,237	288	507
Placements with banks and other financial institutions	435	164	235	100
Amounts receivable under reverse repurchase agreements	243	218	149	138
Loans to corporations	69	142	21	71
Investment securities at amortized cost	5	-	5	-
	27,969	**26,064**	**13,964**	**13,120**
Interest expense				
Current accounts and deposits from customers	6,964	7,344	3,542	3,714
Debt securities issued	523	259	251	134
Due to banks and other financial institutions	447	357	232	164
Subordinated debt	341	873	71	330
Amounts payable under repurchase agreements	126	147	48	65
Lease liabilities	119	-	56	-
	8,520	**8,980**	**4,200**	**4,407**

5. Fee and commission income

(Unaudited) MRUB	6 month period ended 30 June 2019	6 month period ended 30 June 2018	3 month period ended 30 June 2019	3 month period ended 30 June 2018
Insurance agent commissions	2,760	2,951	1,519	1,684
Cash operations	1,086	750	620	394
Customer payments processing and account maintenance	935	757	483	388
Contractual penalties from customers	724	661	385	355
Fees from retailers	524	373	249	162
Pension agent commissions	5	29	-	-
Other	84	114	53	69
	6,118	**5,635**	**3,309**	**3,052**

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

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

6. Fee and commission expense

(Unaudited) MRUB	6 month period ended 30 June 2019	6 month period ended 30 June 2018	3 month period ended 30 June 2019	3 month period ended 30 June 2018
Cash transactions	703	570	372	268
Payments processing and account maintenance	609	322	356	183
Payments to the Deposit Insurance Agency	560	559	275	284
Customer verification fees	295	265	143	149
State duties	199	105	154	66
Other	157	96	75	74
	2,523	**1,917**	**1,375**	**1,024**

7. Other operating (losses)/income, net

(Unaudited) **MRUB**	**6 month period ended 30 June 2019**	**6 month period ended 30 June 2018**	**3 month period ended 30 June 2019**	**3 month period ended 30 June 2018**
Gain/(loss) from foreign exchange revaluation of financial assets and liabilities	176	(487)	7	(560)
Share of the profit of associate	143	108	79	57
Net realised (losses)/gain on disposal of investment securities	(30)	164	-	24
Net (loss)/gain on spot transactions and currency derivatives	(629)	346	(190)	510
Net gain on early redemption of subordinated debt	-	21	-	42
Other	71	(12)	35	(26)
	(269)	**140**	**(69)**	**47**

8. Charge of/(reversal for) impairment losses

(Unaudited) **MRUB**	**Note**	**6 month period ended 30 June 2019**	**6 month period ended 30 June 2018**	**3 month period ended 30 June 2019**	**3 month period ended 30 June 2018**
Cash loans	13	706	658	70	317
POS loans	13	220	1,056	(130)	496
Credit losses from loan commitments	21	3	8	3	6
Loans to corporations	13	(27)	406	(26)	338
Mortgage loans	13	(48)	(53)	(23)	-
Investment securities	14	(76)	62	-	63
Credit card loans	13	(122)	151	(125)	25
Car loans	13	-	(1)	-	(1)
Cash and cash equivalents	11	-	(1)	-	-
Placements with banks and other financial institutions	12	-	(6)	-	(3)
Other assets	16	15	34	6	14
		671	**2,314**	**(225)**	**1,255**

9. General administrative expenses

(Unaudited) **MRUB**	**6 month period ended 30 June 2019**	**6 month period ended 30 June 2018**	**3 month period ended 30 June 2019**	**3 month period ended 30 June 2018**
Personnel related expenses	5,514	5,137	2,735	2,704
Payroll related taxes	1,231	1,127	595	560
Depreciation and amortisation	1,173	839	597	426
Advertising and marketing	659	641	321	495
Professional services	558	472	301	291
Telecommunication and postage	481	439	255	253
Information technology	477	476	240	233
Repairs and maintenance	425	409	238	211
Occupancy	201	539	96	275
Taxes other than income tax	107	129	54	78
Travel expenses	102	94	56	52
Other	186	189	96	101
	11,114	**10,491**	**5,584**	**5,679**

10. Income tax expense

(Unaudited) **MRUB**	**6 month period ended 30 June 2019**	**6 month period ended 30 June 2018**	**3 month period ended 30 June 2019**	**3 month period ended 30 June 2018**
Current tax expense	(2,152)	(838)	(1,081)	(455)
Deferred tax expense	(67)	(786)	(199)	(314)
	(2,219)	**(1,624)**	**(1,280)**	**(769)**

Reconciliation of effective tax rate

(Unaudited) **MRUB**	**6 month period ended 30 June 2019**	**6 month period ended 30 June 2018**	**3 month period ended 30 June 2019**	**3 month period ended 30 June 2018**
Profit before tax	**10,990**	**8,137**	**6,270**	**3,854**
Income tax using the applicable tax rate (20%)	(2,198)	(1,627)	(1,254)	(770)
Net non-deductible costs	(69)	(51)	(36)	(27)
Income taxed at lower tax rates	48	54	10	28
	(2,219)	**(1,624)**	**(1,280)**	**(769)**

10. Income tax expense (continued)

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

	6 month period ended 30 June 2019			6 month period ended 30 June 2018			3 month period ended 30 June 2019			3 month period ended 30 June 2018		
(Unaudited) MRUB	**Amount before tax**	**Tax expense**	**Amount net of tax**	**Amount before tax**	**Tax benefit**	**Amount net of tax**	**Amount before tax**	**Tax expense**	**Amount net of tax**	**Amount before tax**	**Tax benefit**	**Amount net of tax**
Net change in fair value of investment securities	5	(1)	4	(260)	52	(208)	9	(2)	7	(323)	65	(258)
	5	**(1)**	**4**	**(260)**	**52**	**(208)**	**9**	**(2)**	**7**	**(323)**	**65**	**(258)**

11. Cash and cash equivalents

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Amounts receivable under repurchase agreements	8,542	5,104
Nostro accounts with the CBR	4,323	5,500
Placements with banks and other financial institutions due within one month	6,186	3,256
Largest 50 Russian banks	*3,008*	*3*
Other Russian non-banking financial institutions	*1,114*	*1,914*
OECD banks	*821*	*1,019*
Other	*1,243*	*320*
Cash	3,307	4,431
Placements with the NBRK	5,456	2,542
Nostro accounts with the NBRK	1,975	8,132
	29,789	**28,965**

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

	30 June 2019 (Unaudited)	31 Dec 2018
MRUB	**Stage 1**	**Stage 1**
Amounts receivable under repurchase agreements		
Rated Baa3	6,938	3,400
Rated Ba3	1,604	1,704
	8,542	**5,104**

As at 30 June 2019 fair value of securities pledged under repurchase agreements equals MRUB 9,683 (2018: MRUB 6,020).

	30 June 2019 (Unaudited)	31 Dec 2018
MRUB	**Stage 1**	**Stage 1**
Placements with banks and other financial institutions due within one month		
Rated A3 to A1	734	938
Rated Baa	2,009	792
Rated B3	156	-
Rated from Ba3 to Ba1	3,274	1,524
Rated below Caa3 to B1	13	2
	6,186	**3,256**

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

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

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

12. Placements with banks and other financial institutions

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Placements with MasterCard, VISA and MIR	2,285	2,205
Minimum reserve deposit with the CBR	1,409	1,513
Minimum reserve deposit with the NBRK	487	960
Term deposits with banks and other financial institutions due after one month	597	516
Expected credit loss allowance	(1)	(1)
	4,777	**5,193**

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

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

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

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

Movements of expected credit loss allowance are as follows:

MRUB	Note	2019	2018
Balance at 1 January		**1**	**6**
Net charge	**8**	-	(6)
Balance at 30 June (unaudited)		**1**	**-**

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

MRUB	30 June 2019 (Unaudited) Stage 1	31 Dec 2018 Stage 1
Placements with banks and other financial institutions		
Rated A3 to A1	409	2,201
Rated from Ba3 to Ba1	4,369	2,924
Rated from Caa2 to B1	-	69
	4,778	**5,194**
Expected credit loss allowance	**(1)**	**(1)**
Carrying amount	**4,777**	**5,193**

13. Loans to customers

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Cash loans	163,552	157,085
POS loans	71,634	75,305
Credit card loans	22,569	20,127
Mortgage loans	1,295	1,516
Loans to corporations	1,124	4,367
Expected credit loss allowance	(12,890)	(13,046)
	247,284	**245,354**

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

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

MRUB	Stage 1	Stage 2	Stage 3	Total
Loans to customers – gross carrying amount				
Balance at 1 January	**220,857**	**27,840**	**9,703**	**258,400**
Transfer to Stage 1	4,348	(4,348)	-	**-**
Transfer to Stage 2	(16,007)	16,009	(2)	**-**
Transfer to Stage 3	(2,309)	(3,461)	5,770	**-**
New financial assets originated	97,374	-	-	**97,374**
Financial assets that have been fully repaid	(78,658)	(8,282)	(712)	**(87,652)**
Write-offs	-	-	(3,843)	**(3,843)**
Unwinding of discount on present value of expected credit losses	-	-	137	**137**
Effect of foreign currency translation	(3,532)	(524)	(186)	**(4,242)**
Balance at 30 June (unaudited)	**222,073**	**27,234**	**10,867**	**260,174**

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

MRUB	Stage 1	Stage 2	Stage 3	Total
Loans to customers – gross carrying amount				
Balance at 1 January	**186,850**	**22,220**	**9,697**	**218,767**
Transfer to Stage 1	2,500	(2,500)	-	**-**
Transfer to Stage 2	(15,235)	15,245	(10)	**-**
Transfer to Stage 3	(2,307)	(2,983)	5,290	**-**
New financial assets originated	96,933	-	-	**96,933**
Financial assets that have been fully repaid	(69,727)	(6,778)	(1,012)	**(77,517)**
Write-offs	-	-	(4,857)	**(4,857)**
Unwinding of discount on present value of expected credit losses	-	-	20	**20**
Effect of foreign currency translation	1,850	185	99	**2,134**
Balance at 30 June (unaudited)	**200,864**	**25,389**	**9,227**	**235,480**

13. Loans to customers (continued)

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

		30 June 2019 (unaudited)		
MRUB	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash loans				
Not overdue	134,415	16,992	-	151,407
Overdue less than 30 days	1,915	2,688	-	4,603
Overdue 31-90 days	-	2,046	-	2,046
Overdue 91-360 days	-	-	4,865	4,865
Overdue more than 360 days	-	-	631	631
Total gross portfolio	**136,330**	**21,726**	**5,496**	**163,552**
Expected credit losses	**(1,939)**	**(1,745)**	**(3,549)**	**(7,233)**
Carrying amount	**134,391**	**19,981**	**1,947**	**156,319**

		30 June 2019 (unaudited)		
MRUB	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
POS loans				
Not overdue	62,926	3,342	-	66,268
Overdue less than 30 days	930	766	-	1,696
Overdue 31-90 days	-	852	-	852
Overdue 91-360 days	-	-	2,498	2,498
Overdue more than 360 days	-	-	320	320
Total gross portfolio	**63,856**	**4,960**	**2,818**	**71,634**
Expected credit losses	**(861)**	**(519)**	**(1,864)**	**(3,244)**
Carrying amount	**62,995**	**4,441**	**954**	**68,390**

		30 June 2019 (unaudited)		
MRUB	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Credit card loans				
Not overdue	19,881	94	-	19,975
Overdue less than 30 days	918	8	-	926
Overdue 31-90 days	-	430	-	430
Overdue 91-360 days	-	-	1,104	1,104
Overdue more than 360 days	-	-	134	134
Total gross portfolio	**20,799**	**532**	**1,238**	**22,569**
Expected credit losses	**(141)**	**(188)**	**(804)**	**(1,133)**
Carrying amount	**20,658**	**344**	**434**	**21,436**

		30 June 2019 (unaudited)		
MRUB	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgage loans				
Not overdue	1,069	-	-	1,069
Overdue less than 30 days	19	-	-	19
Overdue 31-90 days	-	16	-	16
Overdue 91-360 days	-	-	51	51
Overdue more than 360 days	-	-	140	140
Total gross portfolio	**1,088**	**16**	**191**	**1,295**
Expected credit losses	**(29)**	**(5)**	**(122)**	**(156)**
Carrying amount	**1,059**	**11**	**69**	**1,139**

13. Loans to customers (continued)

	30 June 2019 (unaudited)	
MRUB	**Stage 3**	**Total**
Loans to corporations		
Not overdue	-	-
Overdue less than 30 days	-	-
Overdue 31-90 days	-	-
Overdue 91-360 days	1,124	1,124
Total gross portfolio	**1,124**	**1,124**
Expected credit losses	**(1,124)**	**(1,124)**
Carrying amount	**-**	**-**

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

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

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

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

13. Loans to customers (continued)

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

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

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

	30 June 2019 (Unaudited)		31 December 2018	
	Size TRUB	**Term Months**	**Size TRUB**	**Term Months**
Cash loans	214.6	48	206.1	53
POS loans	41.4	19	42.2	19

	30 June 2019 (unaudited)			31 December 2018		
	Min. monthly payment*	**Average credit limit**	**Term**	**Min. monthly payment***	**Average credit limit**	**Term**
	%	**TRUB**	**Months**	**%**	**TRUB**	**Months**
Credit cards	5%	64	60	5%	59	60

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

As at 30 June 2019 the average loan-to-value ratio for mortgage loans was 48% (31 December 2018: 50%).

13. Loans to customers (continued)

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

	30 June 2019 (Unaudited)		31 December 2018	
	NPLs MRUB	**Provision coverage %**	**NPLs MRUB**	**Provision coverage %**
Cash loans	5,496	132	4,463	153
POS loans	2,818	115	2,759	134
Credit card loans	1,238	92	1,114	105
Mortgage loans	191	82	243	77
Loans to corporations	1,124	100	1,124	102
Total	**10,867**	**119**	**9,703**	**134**

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

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

At the end of 2014 the Group launched loan restructuring aimed at managing customer relationships and maximising collection opportunities. For impairment assessment purposes, such renegotiated loans are kept in the same category of assets as at the date of restructuring unless within a defined period of time borrowers fail to comply with the renegotiated terms or instead prove their performance under new conditions in which case they are treated as non-delinquent. If loan hasn’t been in compliance – then it is transferred to the bucket it would have been in if no restructuring was made. As at 30 June 2019 renegotiated loans to retail customers amounted to MRUB 3,274 (31 December 2018: MRUB 3,582).

Changes in collection estimates could affect the impairment losses recognised. For example, to the extent that estimated future cash flows of loans differ by plus/minus one percent, the loan impairment allowance as at 30 June 2019 would be MRUB 2,473 lower/higher (31 December 2018: MRUB 2,454).

13. Loans to customers (continued)

Analysis of movements in impairment allowance

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

MRUB	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**3,052**	**2,423**	**7,571**	**13,046**
Transfers:				
Transfer to Stage 1	293	(293)	-	-
Transfer to Stage 2	(218)	220	(2)	-
Transfer to Stage 3	(30)	(333)	363	-
Net remeasurement of loss allowance	(1,372)	468	334	(570)
New financial assets originated	1,299	-	-	1,299
Loans recovered which previously were written off	-	-	3,005	3,005
Write-offs	-	-	(3,843)	(3,843)
Unwinding of discount on present value of expected credit losses	-	-	137	137
Effect of foreign currency translation	(54)	(28)	(102)	(184)
Balance at 30 June (unaudited)	**2,970**	**2,457**	**7,463**	**12,890**

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

MRUB	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**2,929**	**2,737**	**6,676**	**12,342**
Transfers:				
Transfer to Stage 1	187	(187)	-	-
Transfer to Stage 2	(219)	232	(13)	-
Transfer to Stage 3	(32)	(326)	358	-
Net remeasurement of loss allowance	(1,493)	183	2,135	825
New financial assets originated	1,392	-	-	1,392
Loans recovered which previously were written off	-	-	2,480	2,480
Write-offs	-	-	(4,833)	(4,833)
Unwinding of discount on present value of	-	-	20	20
Effect of foreign currency translation	32	13	46	91
Balance at 30 June (unaudited)	**2,796**	**2,652**	**6,869**	**12,317**

14. Investment securities

MRUB	**30 Jun 2019 (Unaudited)**	**31 Dec 2018**
Securities measured at fair value through other comprehensive income - debt instruments	19,582	35,910
Securities measured at amortized cost	330	-
	19,912	**35,910**

Debt securities measured at fair value through other comprehensive income

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

MRUB		**30 Jun 2019 (Unaudited)**	**31 Dec 2018**
Quoted debt securities			
Unpledged		18,009	33,288
Pledged as collateral under sale and repurchase agreements	19	1,573	2,622
		19,582	**35,910**

Investments securities are measured at FVOCI. As at 30 June 2019 expected credit loss allowance for investment securities of MRUB 19,582 is measured at an amount equal to 12-month ECL (as at 31 December 2018: MRUB 35,587 is measured at an amount equal to 12-month ECL and expected credit loss allowance for investment securities and MRUB 323 is measured at an amount equal to lifetime ECL not credit-impaired).

The following table shows reconciliation from the opening to the closing balances of the expected credit loss allowance as at 30 June 2019:

MRUB	**2019**		
Investment securities	**Stage 1**	**Stage 2**	**Total**
Balance at 1 January	**11**	**76**	**87**
Net remeasurement of loss allowance	-	(76)	**(76)**
Foreign exchange and other movements	(1)	-	**(1)**
Balance at 30 June (unaudited)	**10**	**-**	**10**

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

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

14. Investment securities (continued)

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

	30 Jun 2019 (Unaudited)		31 Dec 2018		
MRUB	**Stage 1**	**Total**	**Stage 1**	**Stage 2**	**Total**
Investment securities					
Rated from Aa3- to Aa1+	1,573	**1,573**	1,708	-	**1,708**
Rated Baa	16,756	**16,756**	31,926	-	**31,926**
Rated from Ba3 to Ba1	820	**820**	1,477	-	**1,477**
Rated B3	433	**433**	476	-	**476**
Not rated	-	**-**	-	323	**323**
	19,582	**19,582**	**35,587**	**323**	**35,910**
Expected credit losses	**(10)**	**(10)**	**(11)**	**(76)**	**(87)**
Carrying amount	**19,572**	**19,572**	**35,576**	**247**	**35,823**
Carrying amount – fair value	**19,582**	**19,582**	**35,587**	**323**	**35,910**

Securities measured at amortized cost

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

MRUB	**Interest rate**	**Final maturity**	**30 Jun 2019 (Unaudited)**	**31 Dec 2018**
Corporate bonds	8.50%	April 2021	330	-
			330	**-**

15. Property, equipment and intangible assets

(a) Intangible assets

MRUB	**30 June 2019 (Unaudited)**	**31 Dec 2018**
Cost	9,217	8,722
Accumulated amortisation	(6,642)	(5,994)
Net book value	**2,575**	**2,728**

(b) Property and equipment

MRUB	**30 June 2019 (Unaudited)**	**31 Dec 2018**
Cost	11,344	11,267
Accumulated depreciation	(6,586)	(6,536)
Net book value	**4,758**	**4,731**

Movements in the impairment allowance are as follows:

MRUB	**2018**
Balance at 1 January	**69**
Net charge	(1)
Balance at 30 June (unaudited)	**68**

15. Property, equipment and intangible assets (continued)

(c) Right-of-use assets

MRUB	30 June 2019 (Unaudited)
Cost	2,200
Accumulated amortisation	(297)
Net book value	**1,903**

16. Other assets

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Settlements with suppliers	865	1,060
Taxes other than income tax	422	285
Prepaid expenses	116	61
Accrued income	16	11
Other	267	165
Expected credit loss allowance	(14)	(12)
	1,672	**1,570**

As at 30 June 2019 the expected credit loss allowance for other assets are measured at an amount equal to stage 1.
Movements in the expected credit loss allowance are as follows:

MRUB	Note	2019	2018
Balance at 1 January		**12**	**8**
Net charge	8	15	34
Write-off		(11)	(36)
Effect of foreign currency translation		(2)	-
Balance at 30 June (unaudited)		**14**	**6**

17. Debt securities issued

MRUB	Maturity	Coupon rate	30 June 2019 (Unaudited)	31 Dec 2018
Unsecured KZT bond issue 2 of MKZT 6,769	February 2019	Fixed, 9.50%	-	1,265
Unsecured KZT bond issue 3 of MKZT 10,000	May 2020	Fixed, 15.00%	1,680	1,829
Unsequred KZT bond issue 4 of MKZT 8,000	October 2019	Fixed, 12.50%	1,358	1,475
Unsecured KZT bond issue 5 of MKZT 9,600	December 2022	Fixed, 13.00%	1,611	1,745
Unsecured KZT bond issue 6 of MKZT 15,696	December 2021	Fixed, 13.00%	2,753	2,813
			7,402	**9,127**

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.

17. Debt securities issued (continued)

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

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

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

18. Subordinated debt

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

** Early redemption option date / Repayment date*

In October 2013 the Group issued the MUSD 200 of Basel III compliant tier 2 seven and a half year loan participation notes at the fixed rate of 10.50% through Eurasia Capital S.A. The proceeds from the issue were used to grant a subordinated loan to the Bank. The terms of the loan agreement include a call option executable on 17 April 2019 ("the reset date"). After the reset date the interest rate is determined as two year US treasuries rate + 903 b.p. In November 2013 the issue was registered with the CBR. As at 31 December 2018 the Group bought back the loan participation notes with a par value of MUSD 43 with result recognised in other operating income, net. In April 2019 the Group fully repaid loan participation notes issue at par with the prior consent of the CBR. The amount of early redemption was MUSD 200.

19. Due to banks and other financial institutions

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Unsecured loans	10,287	12,181
Secured loans	1,544	2,470
Other balances	833	910
	12,664	**15,561**

As at 30 June 2019 the Group pledged and transferred investment securities with a carrying amount of MRUB 1,544 (Note 14) as collateral for secured loans. These financial assets might be repledged or resold by counterparties in the absence of any default by the Group, but the counterparty had an obligation to return the securities when the contract matures. The Group determined that it retained substantially all the risks and rewards related to these securities and therefore did not derecognise them. The fair value of the transferred investment securities and related secured loans was equal to MRUB 1,544 (31 December 2018: MRUB 2,622).

20. Current accounts and deposits from customers

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Retail		
Term deposits	148,625	150,977
Current accounts and demand deposits	55,343	58,338
Certificates of deposit	2,485	1,386
	206,453	210,701
Corporate		
Term deposits	12,331	10,909
Current accounts and demand deposits	308	480
	12,639	11,389
	219,092	**222,090**

During the year ended 30 June 2019 the Group issued to individuals unsecured 1-year bank certificates of deposit with a total nominal value of MRUB 2,467, which bear a fixed rate of 15% per annum paid at maturity (31 December 2018: 1-year bank certificates of deposit with a total nominal value of MRUB 1,386, which bear a fixed rate of 14-16% per annum paid at maturity).

21. Other liabilities

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Settlements with suppliers	2,377	2,867
Lease liabilities	1,948	-
Accrued employee compensation	1,372	1,813
Provision for return of insurance fee	841	856
Other taxes payable	360	414
Accrued payments to the Deposits Insurance Agency	278	286
Provision for litigations	32	19
Provision for restructuring	7	7
Provisions for credit losses from loan commitments	4	1
Other	256	221
	7,475	**6,484**

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

MRUB	2019	2018
Balance at 1 January	**856**	**756**
Net charge	1,311	1,159
Amounts returned	(1,326)	(911)
Balance at 30 June (unaudited)	**841**	**1,004**

21. Other liabilities (continued)

Movements in the provision for litigations were as follows:

MRUB	**2019**	**2018**
Balance at 1 January	**19**	**19**
Net charge	15	3
Amounts paid	(2)	-
Balance at 30 June (unaudited)	**32**	**22**

Movements in the provision for restructuring were as follows:

MRUB	**2019**	**2018**
Balance at 1 January	**7**	**38**
Amounts related to offices closed	-	(2)
Balance at 30 June (unaudited)	**7**	**36**

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

MRUB		**2019**	**2018**
Balance as at 1 January		**1**	**15**
Net charge	8	3	8
Effect of foreign currency translation		-	1
Balance at 30 June (unaudited)		**4**	**24**

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

22. Financial instruments

Liquidity risk

The following table shows assets and liabilities as at 30 June 2019 and 31 December 2018 by remaining contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the condensed consolidated statement of financial position because the statement of financial position amount is based on discounted cash flows. Investments securities that qualify as collateral for borrowing from the Central Bank of the Russian Federation are shown in the category “Less than 1 month” as management believes they are liquid assets which can be sold quickly or pledged into a repo transaction in response to liquidity needs, if necessary. In accordance with Russian legislation, individuals can withdraw their term deposits at any time, losing in most of the cases the accrued interest. Based on the past experience management believes term deposits and current accounts from individuals to be a stable source of funding, thus classifying them in accordance with contractual maturities and expected prolongations for term deposits or expected demand for current accounts.

22. Financial instruments (continued)

	30 June 2019 (Unaudited)							31 December 2018						
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	29,798	-	-	-	-	-	29,798	28,977	-	-	-	-	-	28,977
Placements with banks and other financial institutions	-	-	597	-	-	4,180	4,777	-	-	516	-	-	4,677	5,193
Loans to customers	26,309	42,405	122,519	114,056	1,944	-	307,233	24,913	42,501	123,241	112,610	2,194	-	305,459
Positive fair value of derivative instruments	17	-	119	-	-	-	136	21	-	123	-	-	-	144
Investment securities	16,762	1,573	92	1,878	-	-	20,305	31,932	20	2,079	2,640	-	-	36,671
Property, equipment and intangible assets	-	-	-	-	-	9,236	9,236	-	-	-	-	-	7,459	7,459
Assets classified as held for sale	-	-	182	-	-	-	182	-	-	212	-	-	-	212
Investment in associate	-	-	-	-	-	109	109	-	-	-	-	-	228	228
Current income tax receivable	-	-	-	321	-	-	321	5	-	-	-	-	-	5
Deferred tax asset	-	-	-	-	-	2,678	2,678	-	-	-	-	-	2,750	2,750
Other assets	1,101	324	92	155	-	-	1,672	1,101	190	139	140	-	-	1,570
Total assets	**73,987**	**44,302**	**123,601**	**116,410**	**1,944**	**16,203**	**376,447**	**86,949**	**42,711**	**126,310**	**115,390**	**2,194**	**15,114**	**388,668**
Liabilities														
Debt securities issued	-	1,980	2,057	5,211	-	-	9,248	-	1,279	2,454	7,936	-	-	11,669
Subordinated debt	-	-	-	-	-	-	-	-	-	11,492	-	-	-	11,492
Due to banks and other financial institutions	2,692	929	7,192	2,419	-	-	13,232	3,530	980	11,648	-	-	-	16,158
Current accounts and deposits from customers	25,273	13,344	110,896	69,240	10,594	-	229,347	45,419	32,997	99,455	40,588	9,473	-	227,932
- Current accounts and deposits from individuals	*22,557*	*12,934*	*103,512*	*66,256*	*10,594*	-	*215,853*	*43,743*	*31,758*	*90,692*	*40,229*	*9,473*	-	*215,895*
- Current accounts and deposits from corporations	*2,716*	*410*	*7,384*	*2,984*	-	-	*13,494*	*1,676*	*1,239*	*8,763*	*359*	-	-	*12,037*
Negative fair value of derivative instruments	17	-	536	-	-	-	553	20	-	34	-	-	-	54
Current income tax liability	343	-	-	-	-	-	343	238	-	-	-	-	-	238
Other liabilities	3,116	1,177	1,913	1,902	325	-	8,433	3,317	1,282	1,654	231	-	-	6,484
Total liabilities	**31,441**	**17,430**	**122,594**	**78,772**	**10,919**	**-**	**261,156**	**52,524**	**36,538**	**126,737**	**48,755**	**9,473**	**-**	**274,027**
Net balance position	**42,546**	**26,872**	**1,007**	**37,638**	**(8,975)**	**16,203**	**115,291**	**34,425**	**6,173**	**(427)**	**66,635**	**(7,279)**	**15,114**	**114,641**
Irrevocable credit related commitments*	4,129	-	-	-	-	-	4,129	6,199		-	-	-	-	6,199
Undrawn credit lines	-	-	2,873	-	-	-	2,873	-	210	-	-	-	-	210
Net off-balance position	**4,129**	**-**	**2,873**	**-**	**-**	**-**	**7,002**	**6,199**	**210**	**-**	**-**	**-**	**-**	**6,409**
Cumulative net position	**38,417**	**65,289**	**63,423**	**101,061**	**92,086**	**108,289**		**28,226**	**34,189**	**33,762**	**100,397**	**93,118**	**108,232**	

** Other credit related commitments are disclosed in Note 23*

22. Financial instruments (continued)

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

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Less than 1 month	65,537	87,891
From 1 to 3 months	12,828	31,539
From 3 to 12 months	96,317	84,225
From 1 to 5 years	41,171	12,240
	215,853	**215,895**

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 100.0-105.2% from notional amount for debt securities issued in KZT;
- The estimation of the fair value of investment securities was made by using market quotes in the range of 101.0% from notional amount for investment securities issued in RUB;

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

- The estimation of the fair value of POS, cash and credit card loans was made by using discounting future cash flows at discount rates of 16.7%-19.5% in RUB and 24.9%-36.9% in KZT. The estimation of the fair value of mortgage loans was made by using discounting future cash flows at discount rates of 10.5%
- The estimation of the fair value of due to banks and other financial institutions was made by using discounting future cash flows at discount rates of 1.7% in EUR, 2.3-7.6% in USD, 7.2-7.6% in RUB and 8.2% 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 7.14% in RUB, 0.1-1.8% in USD, 0.8%-1.4% in EUR and 6.4-10.0% in KZT
- The Group uses valuation models for determining the fair value of financial instruments at fair value through profit or loss based on FX spot rates as set by the CBR, benchmark interest rates and other inputs.

22. Financial instruments (continued)

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

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

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

Specific controls include:

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

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

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

Significant valuation issues are reported to the Board of Management.

22. Financial instruments (continued)

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

MRUB	Carrying amount (Unaudited)	Fair value (unaudited) Level 1	Level 2	Level 3	Total
Assets					
Investment securities	330	333	-	-	333
Loans to customers	247,284	-	-	249,267	249,267
Liabilities					
Debt securities issued	7,402	-	7,593	-	7,593
Due to banks and other financial institutions	12,664	-	12,725	-	12,725
Current accounts and deposits from customers	219,092	-	221,913	-	221,913

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement was categorised as at 31 December 2018:

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

The estimates of fair values of financial assets other than loans to customers and financial liabilities other than debt securities issued, subordinated debt, due to banks and other financial institutions and current accounts and deposits from customers as at 30 June 2019 and 31 December 2018 are not materially different from their carrying values.

22. Financial instruments (continued)

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

MRUB	Level 1	Level 2 (Unaudited)	Total
Assets			
Positive fair value of derivative instruments	-	136	136
Investment securities	18,329	1,253	19,582
Liabilities			
Negative fair value of derivative instruments	-	553	553

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

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

23. Commitments

Credit related commitments

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

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Credit card commitments	42,227	32,937
POS and cash loan commitments	4,129	6,199
Undrawn credit lines	2,873	210
	49,229	**39,346**

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

24. Contingencies

Taxation contingencies

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

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

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

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

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

25. Related party transactions

(a) Transactions with the parent

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

(Unaudited) MRUB	6 month period ended 30 June 2019	6 month period ended 30 June 2018
Interest expense	-	(2)
General administrative expenses	-	(37)
	-	**(39)**

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

MRUB	6 month period ended 30 June 2019 (Unaudited)	31 Dec 2018 MRUB
Other liabilities	-	(96)
	-	**(96)**

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

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

(Unaudited) MRUB	6 month period ended 30 June 2019	6 month period ended 30 June 2018
Interest income	10	-
Interest expense	(352)	(533)
Fee and commission income	572	613
Gain from foreign exchange revaluation of financial assets and liabilities	183	6
Net loss on spot transactions and derivatives	(583)	-
Other operating income	(100)	197
General administrative expenses	(750)	(793)
	(1,020)	**(510)**

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

MRUB	30 Jun 2019 (Unaudited)	31 Dec 2018
Cash and cash equivalents	739	60
-In EUR	*739*	60
Placements with banks and other financial institutions	597	447
-In EUR	*597*	*447*
Positive fair value of derivative instruments	119	123
-In USD/GBP/EUR	*119*	*123*
Property, equipment and intangible assets	872	942
-In RUB	*368*	*379*
-In KZT	*504*	563

25. Related party transactions (continued)

MRUB	**30 Jun 2019 (Unaudited)**	**31 Dec 2018**
Other assets	194	9
-In EUR	*60*	-
-In RUB	*133*	*9*
-In CZK	*1*	-
Subordinated debt	(831)	(4,027)
-In USD	-	*(4,027)*
-In KZT	*(831)*	-
Due to banks and other financial institutions	(4,995)	(7,467)
-In EUR	*(4,225)*	*(1,190)*
-In RUB	*(93)*	*(1,947)*
-In USD	*(677)*	*(4,330)*
Current accounts and deposits from customers	(1,119)	(7)
-In EUR	*(947)*	-
-In RUB	*(172)*	*(7)*
Negative fair value of derivative instruments	(536)	(34)
-In USD/GBP/EUR	*(536)*	*(34)*
Other liabilities	(591)	(757)
-In EUR	*(150)*	*(287)*
-In RUB	*(251)*	*(470)*
-In CZK	*(190)*	-
	(5,551)	**(10,711)**

As at 30 June 2019 placements with banks and other financial institutions shown above included term deposits in the amount of MRUB 597 at an effective interest rate of 0.0% with a maturity of three months to one year (31 December 2018: term deposits in the amount of MRUB 447 at an effective interest rate of 5.3% with a maturity of three months to one year).

As at 30 June 2019 due to banks and other financial institutions amounted to MRUB 4,995 at an effective interest rate of 6.24% with the maturity less than one month and from one month to five years (31 December 2018: MRUB 7,467 at an effective interest rate of 6.79% with the maturity less than one month and from one month to one years).

As at 30 June 2019 subordinated debt amounted to MRUB 831 at an effective interest rate of 13.0% with the maturity from one to five years (31 December: subordinated debt amounted to MRUB 4,027 at an effective interest rate of 10.2% with the maturity from three months to one year).

As at 30 June 2019 current accounts and deposits from customers included other balances of MRUB 1,119 at an effective interest rate of 6.78% with the maturity less than one month and from one month to five years (31 December 2018: other balances of MRUB 7 with the maturity less than one month).

(c) Transactions with members of key management

Amounts included in the condensed consolidated interim financial statement of profit or loss in relation to transactions with members of key management (members of the Council and the Board of Management) of MRUB 410 (six month period ended 30 June 2018: MRUB 438) represent compensation for the period.

26. Capital management

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

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. The Group calculates the amount of capital and capital adequacy ratios for prudential purposes in accordance with the Provision of the CBR dated 04 July 2018 No 646–P On methodology of calculation of own funds (capital) of the credit organisations (Basel III). As at 30 June 2019, this minimum levels of core capital, primary capital and total capital to risk weighted assets were 4.5%, 6.0% and 8.0% respectively (31 December 2018: 4.5%, 6.0% and 8.0% respectively).

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

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

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

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

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Risk-weighted assets (N20.0)	**454,710**	**436,409**
Risk-weighted assets (N20.1, N20.2)	**456,053**	**437,975**
Core capital	48,972	44,841
Primary capital	48,972	44,841
Additional capital	3,441	11,971
Total capital	**52,413**	**56,812**
Core capital adequacy ratio N20.1	**10.7%**	**10.2%**
Primary capital adequacy ratio N20.2	**10.7%**	**10.2%**
Total capital adequacy ratio N20.0	**11.5%**	**13.0%**

The Group also calculates its capital adequacy in compliance with the Basel Accord issued in 1988 and amended in 1998 ("Accord") set out by the Bank of International Settlements ("BIS"). Tier I capital is represented by equity. Tier II capital is represented by subordinated debt up to 50% of tier I. In accordance with the Accord the minimum levels of Tier I capital and total capital to risk weighted assets are 4.0% and 8.0% respectively.

The calculation of capital adequacy based on requirements set by BIS as at 30 June 2019 and 31 December 2018 was as follows:

MRUB	30 June 2019 (Unaudited)	31 Dec 2018
Risk weighted assets	**292,125**	**288,117**
Tier I capital	68,567	63,086
Tier II capital	-	5,024
Total capital	**68,567**	**68,110**
Tier I ratio	23.5%	21.9%
Capital Adequacy Ratio	23.5%	23.6%

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

27. Segment analysis

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

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

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

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

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

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

(a) Operational segments

MRUB	POS loans	Credit card loans	Cash loans	Other segment	Unallo-cated	Total
6 month period ended 30 June 2019 (unaudited)						
Interest income calculated using effective interest rate	6,087	2,319	18,006	1,557	-	**27,969**
Interest expense	(1,375)	(628)	(5,903)	(539)	(75)	**(8,520)**
Net interest income	**4,712**	**1,691**	**12,103**	**1,018**	**(75)**	**19,449**
Fee and commission income	1,332	1,427	1,867	1,359	133	**6,118**
Fee and commission expense	(221)	(817)	(683)	(140)	(662)	**(2,523)**
Net fee and commission income	**1,111**	**610**	**1,184**	**1,219**	**(529)**	**3,595**
Other operating (expense)/income, net	(99)	(17)	(295)	(32)	174	**(269)**
Operating income	**5,724**	**2,284**	**12,992**	**2,205**	**(430)**	**22,775**
Charge of/(reversal for) impairment losses	(220)	122	(706)	75	58	**(671)**
General administrative expenses	-	-	-	-	(11,114)	**(11,114)**
Operating expenses	**(220)**	**122**	**(706)**	**75**	**(11,056)**	**(11,785)**
Profit before tax	**5,504**	**2,406**	**12,286**	**2,280**	**(11,486)**	**10,990**
Income tax expense	-	-	-	-	(2,219)	**(2,219)**
Profit for the period	**5,504**	**2,406**	**12,286**	**2,280**	**(13,705)**	**8,771**

27. Segment analysis (continued)

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

Segment assets	POS loans	Credit card	Cash loans	Other	Total
Carrying amount at 30 June 2019 (unaudited)	68,390	21,436	156,319	34,921	**281,066**
Carrying amount at 31 December 2018	71,620	18,953	150,235	48,525	**289,333**

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

MRUB	30 Jun 2019 (Unaudited)	31 Dec 2018
Total segment assets	**281,066**	**289,333**
Cash and cash equivalents (excluded from other segments)	18,240	23,760
Placements with banks and other financial institutions	2,592	2,473
Property, equipment and intangible assets	9,236	7,459
Assets classified as held for sale	182	212
Investment in associate	109	228
Current income tax receivable	321	5
Deferred tax asset	2,678	2,750
Other assets	1,672	1,570
Total assets	**316,096**	**327,790**

27. Segment analysis (continued)

(b) Geographical segments

MRUB **6 month period ended 30 June 2019 (unaudited)**	**Russian Federation**	**Kazakhstan**	**Eliminations**	**Total**
Interest income calculated using effective interest rate	20,311	7,791	(133)	**27,969**
Interest expense	(6,216)	(2,437)	133	**(8,520)**
Net interest income	**14,095**	**5,354**	**-**	**19,449**
Fee and commission income	4,317	1,801	-	**6,118**
Fee and commission expense	(2,323)	(200)	-	**(2,523)**
Net fee and commission income	**1,994**	**1,601**	**-**	**3,595**
Other operating income/(expense), net	1,647	(394)	(1,522)	**(269)**
Operating income	**17,736**	**6,561**	**(1,522)**	**22,775**
Impairment losses	(1,095)	424	**-**	**(671)**
General administrative expenses	(8,296)	(2,818)	-	**(11,114)**
Operating expenses	**(9,391)**	**(2,394)**	-	**(11,785)**
Profit before tax	**8,345**	**4,167**	**(1,522)**	**10,990**
Income tax expense	(1,370)	(849)	**-**	**(2,219)**
Profit for the period	**6,975**	**3,318**	**(1,522)**	**8,771**

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

27. Segment analysis (continued)

Segment assets

MRUB	**Russian Federation**	**Kazakhstan**	**Eliminations**	**Total**
Carrying amount at 30 June 2019 (unaudited)	259,346	61,778	(5,028)	**316,096**
Carrying amount at 31 December 2018	268,166	67,063	(7,439)	**327,790**

MRUB	**Russian Federation**	**Kazakhstan**	**Eliminations**	**Total**
30 June 2019				
Cash and cash equivalents	21,589	8,200	-	**29,789**
Placements with banks and other financial institutions	6,846	1,183	(3,252)	**4,777**
Loans to customers	200,482	46,802	-	**247,284**
Positive fair value of derivative instruments	-	136	-	**136**
Investment securities	17,086	2,826	-	**19,912**
Assets classified as held for sale	182	-	-	**182**
Property, equipment and intangible assets	7,350	1,886	-	**9,236**
Investment in associate	1,885	-	(1,776)	**109**
Current income tax receivable	321	-	-	**321**
Deferred tax asset	2,616	62	-	**2,678**
Other assets	989	683	-	**1,672**
Total assets	**259,346**	**61,778**	**(5,028)**	**316,096**
Debt securities issued	-	7,402	-	**7,402**
Due to banks and other financial institutions	4,550	11,366	(3,252)	**12,664**
Current accounts and deposits from customers	191,128	27,964	-	**219,092**
Negative fair value of derivative instruments	-	553	-	**553**
Current income tax liabilitiy	-	343	-	**343**
Other liabilities	5,470	2,005	-	**7,475**
Total liabilities	**201,148**	**49,633**	**(3,252)**	**247,529**

27. Segment analysis (continued)

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

Chairman of the Board of Management

Y. Andresov

Chief Financial Officer

I. Kolikova

ООО "ХКФ Банк" HCF Bank