

Home Credit and Finance Bank

**Consolidated Financial Statements
for the year ended 31 December 2013**

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Auditors' Report

To the Participants and the Council of OOO "Home Credit and Finance Bank"

We have audited the accompanying consolidated financial statements of OOO "Home Credit and Finance Bank" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Audited entity: OOO "Home Credit and Finance Bank"

Registered by Central Bank of Russian Federation on 19 June 1990, Registration No. 316.

Registered in the Unified State Register of Legal Entities on 4 October 2002 by the Authority of the Ministry of taxes and levies of the Russian Federation in Moscow, Registration No. 1027700280937

Address of audited entity: 8/1, Pravda street, Moscow, 125040, Russian Federation.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for 2013 in accordance with International Financial Reporting Standards.



Kouznetsov A.A.
Deputy Director
Power of attorney dated 11 October 2013 No. 112/13
ZAO KPMG
11 March 2014
Moscow, Russian Federation

Home Credit and Finance Bank
Consolidated Statement of Profit or Loss
for the year ended 31 December 2013

	Note	2013 MRUB	2012 MRUB
Interest income	4	90,509	52,403
Interest expense	4	<u>(28,199)</u>	<u>(15,284)</u>
Net interest income		62,310	37,119
Fee and commission income	5	29,186	24,528
Fee and commission expense	6	<u>(2,507)</u>	<u>(1,122)</u>
Net fee and commission income		26,679	23,406
Other operating income, net	7	<u>1,307</u>	<u>1,051</u>
Operating income		90,296	61,576
Impairment losses	8	(47,655)	(17,841)
General administrative expenses	9	<u>(28,166)</u>	<u>(19,704)</u>
Operating expenses		<u>(75,821)</u>	<u>(37,545)</u>
Profit before tax		14,475	24,031
Income tax expense	10	<u>(3,370)</u>	<u>(4,975)</u>
Profit for the year		<u>11,105</u>	<u>19,056</u>
Profit for the year attributable to equity holders of the Group		<u>11,105</u>	<u>19,056</u>

The consolidated financial statements as set out on pages 5 to 65 were approved by the Board of Management on 11 March 2014.

Chief Executive Officer

I. Svitek



Chief Financial Officer

I. Kolikova

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

Home Credit and Finance Bank
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2013

	2013 MRUB	2012 MRUB
Profit for the year, recognised in consolidated statement of profit or loss	<u>11,105</u>	<u>19,056</u>
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 of financial assets available for sale, net of tax	(305)	(167)
- net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	289	226
Cash flow hedge reserve, net of tax - effective portion of changes in fair value	41	(39)
Effect of foreign currency translation	<u>274</u>	<u>-</u>
Other comprehensive income for the year, net of tax	<u>299</u>	<u>20</u>
Total comprehensive income for the year	<u>11,404</u>	<u>19,076</u>
Total comprehensive income for the year attributable to equity holders of the Group	<u>11,404</u>	<u>19,076</u>

Chief Executive Officer

I. Svitek



Chief Financial Officer

I. Kolikova

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

Home Credit and Finance Bank
Consolidated Statement of Financial Position
as at 31 December 2013

ASSETS	Note	2013 MRUB	2012 MRUB
Cash and cash equivalents	11	43,323	51,998
Placements with banks and other financial institutions	12	7,207	4,016
Loans to customers	13	285,913	237,316
Positive fair value of derivative instruments	14	371	267
Financial assets available for sale	15	5,711	28,291
Property, equipment and intangible assets	16	12,470	10,743
Assets classified as held for sale		294	-
Investment in associate		163	102
Deferred tax asset	23	1,088	346
Current income tax receivable		441	-
Other assets	17	1,953	4,737
Total assets		358,934	337,816
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	18	39,284	36,743
Subordinated debt	19	23,318	15,444
Due to banks and other financial institutions	20	14,057	51,815
Current accounts and deposits from customers	21	221,381	174,289
Negative fair value of derivative instruments	22	147	439
Current income tax liability		-	660
Deferred tax liability	23	-	17
Other liabilities	24	5,551	7,075
Total liabilities		303,738	286,482
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for financial assets available for sale		5	21
Cash flow hedge reserve		2	(39)
Translation reserve		274	-
Retained earnings		39,878	31,804
Total equity attributable to equity holders of the Group		55,196	46,823
Non-controlling interest		-	4,511
Total equity		55,196	51,334
Total liabilities and equity		358,934	337,816

Chief Executive Officer

I. Svitek



Chief Financial Officer

I. Kolikova

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

Home Credit and Finance Bank
Consolidated Statement of Changes in Equity
for the year ended 31 December 2013

MRUB	Attributable to equity holders of the Group							Non-controlling interest	Total equity
	Charter capital	Other capital contributions	Revaluation reserve for financial assets available for sale	Cash flow hedge reserve	Translation reserve	Retained earnings	Total		
Balance at 1 January 2012	4,406	10,631	(38)	-	-	15,548	30,547	-	30,547
Profit for the year	-	-	-	-	-	19,056	19,056	-	19,056
Net change in fair value of financial assets available for sale, net of tax	-	-	(167)	-	-	-	(167)	-	(167)
Net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	-	-	226	-	-	-	226	-	226
Change in cash flow hedge reserve, net of tax	-	-	-	(39)	-	-	(39)	-	(39)
Total comprehensive income for the year	-	-	59	(39)	-	19,056	19,076	-	19,076
Dividends paid	-	-	-	-	-	(2,800)	(2,800)	-	(2,800)
Business combination	-	-	-	-	-	-	-	4,511	4,511
Balance at 31 December 2012	4,406	10,631	21	(39)	-	31,804	46,823	4,511	51,334
Balance at 1 January 2013	4,406	10,631	21	(39)	-	31,804	46,823	4,511	51,334
Profit for the year	-	-	-	-	-	11,105	11,105	-	11,105
Net change in fair value of financial assets available for sale, net of tax	-	-	(305)	-	-	-	(305)	-	(305)
Net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	-	-	289	-	-	-	289	-	289
Change in cash flow hedge reserve, net of tax	-	-	-	41	-	-	41	-	41
Effect of foreign currency translation	-	-	-	-	274	-	274	-	274
Total comprehensive income for the year	-	-	(16)	41	274	11,105	11,404	-	11,404
Dividends paid	-	-	-	-	-	(5,761)	(5,761)	-	(5,761)
Loss on acquisition of NCI share (Note 1)	-	-	-	-	-	(234)	(234)	(451)	(685)
Gain on acquisition of NCI share (Note 1)	-	-	-	-	-	2,964	2,964	(4,060)	(1,096)
Balance at 31 December 2013	4,406	10,631	5	41	274	39,878	55,196	-	55,196

Chief Executive Officer

I. Svitek

Chief Financial Officer

I. Kolikova

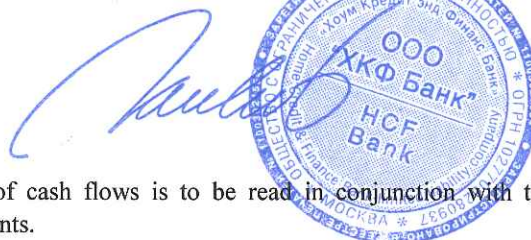
The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Home Credit and Finance Bank
Consolidated Statement of Cash Flows
for the year ended 31 December 2013

	Note	2013 MRUB	2012 MRUB
Cash flow from operating activities			
Interest received		89,658	52,544
Interest paid		(27,363)	(11,071)
Fees and commissions received		29,010	25,530
Fees and commissions paid		(2,520)	(1,122)
Net receipts/(payments) from foreign exchange transactions		663	(507)
Other operating income received		49	84
Administrative and other operating expenses paid		(26,259)	(16,636)
Income tax paid		(5,250)	(4,283)
Cash flows from operating activities before changes in operating assets and liabilities		<u>57,988</u>	<u>44,539</u>
Changes in operating assets and liabilities			
Net increase in placements with banks and other financial institutions		(3,761)	(2,334)
Net decrease/(increase) in financial assets available for sale		22,973	(16,617)
Net increase in loans and advances to customers		(92,602)	(127,296)
Net decrease/(increase) in other assets		1,847	(1,953)
Net increase in customer accounts		45,036	94,695
Net (decrease)/increase in due to banks and other financial institutions		(36,434)	39,502
Net (decrease)/increase in other liabilities		(786)	953
Net cash (used in)/from operating activities		<u>(5,739)</u>	<u>31,489</u>
Cash flows from investing activities			
Proceeds from sale of interest in associate		128	81
Proceeds from sale of property and equipment		25	1
Acquisition of property, equipment and intangible assets		(4,074)	(3,869)
Acquisition of subsidiary		-	1,403
Net cash used in investing activities		<u>(3,921)</u>	<u>(2,384)</u>
Cash flows from financing activities			
Repayments of due to banks		-	(5,807)
Proceeds from the issue of debt securities		9,347	8,835
Repayments of debt securities issued		(8,000)	(8,875)
Proceeds from the issue of subordinated debt		6,406	15,558
Acquisition of subsidiary		(1,776)	-
Dividends paid		(5,761)	(2,800)
Net cash from financing activities		<u>216</u>	<u>6,911</u>
Net (decrease)/increase in cash and cash equivalents		(9,444)	36,016
Effect of exchange rate changes on cash and cash equivalents		769	10
Cash and cash equivalents at the beginning of the year		51,998	15,972
Cash and cash equivalents at the end of the year	11	<u><u>43,323</u></u>	<u><u>51,998</u></u>

Chief Executive Officer

I. Svitek



Chief Financial Officer

I. Kolikova

The consolidated statement 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 str
 Moscow 125040
 Russian Federation

Participants	Country of incorporation	Ownership interest (%)	
		2013	2012
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 (%)	
		2013	2012
Financial Innovations (LLC)	Russian Federation	100.00	100.00
Bonus Center Operations (LLC)	Russian Federation	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
Eurasia Credit Card Company S.A.*	Luxemburg	see below	see below
Bank Home Credit (SB JSC)	Kazakhstan	100.00	-
HC Finance (LLC)	Russian Federation	see below	-
Eurasia Structured Finance No.3 B.V.	The Netherlands	see below	-

Bonus Center Operations (LLC) was established on 25 June 2012 to run the loyalty programme 'Polza' as an operator and to support banking operations.

In January 2013 the Bank exercised a call option and became the owner of a 90.01% stake in Home Credit Bank (JSC) for consideration of MRUB 1,096, resulting in a gain of MRUB 2,964 recorded directly in equity. In addition, in January 2013 the Bank purchased a 9.99% stake in Home Credit Bank (JSC) from Home Credit B.V. for consideration of MRUB 685, resulting in a loss of MRUB 234, recorded directly in equity. As a result of these transactions the Bank became a 100% owner of Home Credit Bank (JSC). Home Credit Bank (JSC) was renamed to Subsidiary Bank Joint-Stock Company "Home Credit and Finance Bank" (Bank Home Credit (SB JSC)) on 4 April 2013. Bank Home Credit (SB JSC) holds banking licence #1.1.188 received from the Committee for the Control and Supervision of the Financial Markets and Organisations of the National Bank of the Republic of Kazakhstan (the "Committee of the Control and Supervision") on 28 November 2008.

HC Finance (LLC) was established on 27 May 2013 and Eurasia Structured Finance No.3 B.V. was established on 4 April 2013 to facilitate the Group's issues of debt securities (refer to Note 18).

Eurasia Capital S.A., Eurasia Structured Finance No.1 S.A. and Eurasia Credit Card Company S.A. are special purpose entities established to facilitate the Group's issues of debt securities (refer to Notes 18 and 19).

** As at 31 December 2013 Eurasia Structured Finance No.1 S.A. and Eurasia Credit Card Company S.A. were in the process of liquidation.*

Associate	Country of incorporation	Ownership interest (%)	
		2013	2012
Equifax Credit Services (LLC)	Russian Federation	25.00	30.72

1. Description of the Group (continued)

Council		Board of Management	
Jiri Smejč	Chairman	Ivan Svitek	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	Yuriy Andresov	Deputy Chairman
		Olga Egorova	Member

Principal activities

The activities of the Group are regulated by the CBR and the activities of 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 of variable channels: own banking offices, points-of-sale at retailers, Russian Post branches, Kazakh Post branches and other third parties.

As at 31 December 2013, 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, 1,163 standard banking offices, 5,994 loan offices, 103 regional centres, 3 representative offices and over 90 thousand points of sale which cover over 2,000 residential areas in the Russian Federation. As at 31 December 2013 the ATM network comprised 1,246 ATMs and payment terminals across the Russian Federation.

As at 31 December 2013 the distribution network in Kazakhstan comprised 128 standard banking offices, 2,933 loan offices, 1,112 points of sale and over 200 Kazakhstan post offices. As at 31 December 2013 the ATM network of Bank Home Credit (SB JSC) comprised 169 ATMs and payment terminals across Kazakhstan.

Business optimisation programme

In December 2013 the Group launched a business optimisation programme in the Russian Federation to increase effectiveness of business and optimise costs, including staff cost optimisation and closure of less effective offices.

In December 2013 the Group made a provision for restructuring under the business optimisation program mentioned above of MRUB 99 (Note 24) and a provision for impairment of tangible assets of MRUB 193 as a result of closure of offices (Note 16).

2. Basis of preparation

The consolidated financial statements for the year ended 31 December 2013 comprise the Bank and its subsidiaries.

(a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The consolidated 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).

2. Basis of preparation (continued)

(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 the majority 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 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.

(d) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree if the business combination is achieved in stages) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

The Group elects on transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iv) Structured entities

A structured entity is an entity designed so that its activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

2. Basis of preparation (continued)

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Non-controlling interests

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the Group.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Group. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statements of profit or loss and comprehensive income.

(e) Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ from those estimates. In particular, information about significant areas of estimation, uncertainty and critical judgments made by management in preparing these consolidated financial statements is described in the following:

- Loan impairment - Notes 3(j) and 13;
- Estimates of fair values of financial instruments - Note 25(h).

(f) Changes in accounting policies and presentation

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

- IFRS 10 Consolidated Financial statements (see (i))
- IFRS 11 Joint Arrangements (see (ii))
- IFRS 12 Disclosure of Interests in Other Entities (see (iii))
- IFRS 13 Fair Value Measurements (see (iv))
- Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (see (v))

The nature and the effect of the changes are explained below.

(i) Subsidiaries, including structured entities

As a result of adoption of IFRS 10, the Group changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, including structured entities. See notes 2 (d) (ii) and (iv). In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees as at 1 January 2013. The Group determined that its consolidated group structure remained unchanged under IFRS 10, and as a result, the consolidated financial statements are unaffected.

(ii) Joint arrangements

As a result of adopting IFRS 11, the Group changed its accounting policy for its interest in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements, and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

2. Basis of preparation (continued)

(iii) *Disclosure of Interests in Other Entities*

The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

As a result of adoption of IFRS 12, the Group included new disclosures in the consolidated financial statements that are required under IFRS 12 and provided comparative information for new disclosures.

(iv) *Fair value measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as 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. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures (see Note 25 (h)).

The change had no significant impact on the measurements of assets and liabilities. However, the Group included new disclosures in the consolidated financial statements that are required under IFRS 13.

(v) *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities introduced new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

The Group included new disclosures in the consolidated financial statements that are required under amendments to IFRS 7 and provided comparative information for new disclosures.

(g) *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. In addition, the contraction felt after the 2008 economic downturn in the capital and credit markets and the impact of this on the economy further increased the level of economic uncertainty in the environment. 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.

The following significant accounting policies are consistently applied in the preparation of the consolidated financial statements.

3. Significant accounting policies

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss; a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in other comprehensive income.

(b) Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from 1 January 2003 and accordingly, no adjustments for hyperinflation are made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of equity items as at 31 December 2002 became carrying amounts as at 1 January 2003 for the purpose of subsequent accounting.

(c) Cash and cash equivalents

The Group considers cash, nostro accounts, amounts receivable under reverse repurchase agreements, and term placements with the CBR and the NBRK, banks and other financial institutions due within one month to be cash and cash equivalents. The minimum reserve deposits with the CBR and the NBRK are not considered to be a cash equivalents due to restrictions on its withdrawability.

(d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking
- a derivative (except for derivative that is a financial guarantee contract or a designated and effective hedging instruments), or
- upon initial recognition, designated by the Group as at fair value through the profit or loss.

The Group designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise, or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial classification.

3. Significant accounting policies (continued)

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group upon initial recognition designates as at fair value through profit or loss, or those where its initial investment may not be substantially recovered, other than because of credit deterioration.

Held-to-maturity investments are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than loans and receivables and instruments designated as at fair value through profit or loss or as available-for-sale.

Available-for-sale assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for loans and receivables and held to maturity investments which are measured at amortised cost less impairment losses and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost less impairment losses.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

Fair value is 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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

3. Significant accounting policies (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at the bid price and liabilities and short positions at the ask price.

(v) *Gains and losses on subsequent measurement*

Gains and losses on financial instruments classified as at fair value through profit or loss are recognised in the consolidated statement of profit or loss.

Gains and losses on financial assets available for sale are recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the consolidated statement of profit or loss.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the consolidated statement of profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to receive cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the consolidated statement of financial position.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectable.

(vii) *Repurchase and reverse repurchase agreements*

Securities sold under sale and repurchase agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts due to other banks or to customers, as appropriate. The difference between the sale and repurchase price represents interest expense and is recognised in the consolidated statement of profit or loss over the life of the agreement.

3. Significant accounting policies (continued)

Securities purchased under agreements to resell are recorded as due from banks or customers as appropriate. The differences between the sale and repurchase prices are treated as interest and accrued over the life of the agreement using the effective interest method.

(viii) *Derivative financial instruments, hedge accounting*

The Group uses derivatives both for hedge accounting as determined in accordance with IAS 39 and to economically hedge its exposure to foreign exchange and interest rate risk arising from financing activities. The latter do not qualify for hedge accounting and thus any gain or loss on the derivative financial instruments is recognised in the consolidated statement of profit or loss.

The Group started applying hedge accounting on 1 October 2012 for cash flow hedges against currency risk. To qualify for hedge accounting in accordance with IAS 39, hedges must be highly effective. Derivatives used for hedging purposes are measured at fair value in the consolidated statement of financial position.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed for effectiveness on monthly basis. A hedge is regarded as highly effective if the changes in the fair value of cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the hedging period.

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised as other comprehensive income in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

(ix) *Financial guarantees*

A financial guarantee is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities are included within other liabilities.

(e) *Securitisation*

For securitised financial assets, the Group considers both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Group over the other entity.

When the Group, in substance, controls the entity to which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the consolidated statement of financial position.

3. Significant accounting policies (continued)

When the Group has transferred financial assets to another entity, but has retained substantially all of the risks and rewards relating to the transferred assets, the transferred assets are recognised in the consolidated statement of financial position.

When the Group transfers substantially all the risks and rewards relating to the transferred assets to an entity that it does not control, the assets are derecognised from the consolidated statement of financial position.

If the Group neither transfers nor retains substantially all the risks and rewards relating to the transferred assets, the assets are derecognised if the Group has not retained control over the assets.

(f) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(g) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. The cost for self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Operating leases, under the terms of which the Group does not assume substantially all the risks and rewards of ownership, are expensed on a straight line basis.

(iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful lives of the individual assets. Property and equipment are depreciated from the date the asset is available for use. The estimated useful lives are as follows:

Computers and equipment	4 years
Vehicles	5 years
Furniture	5 years
Leasehold improvements	5 years
Buildings	10-50 years

3. Significant accounting policies (continued)

(h) Intangible assets

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets and liabilities acquired. Goodwill is stated at cost less impairment losses.

(ii) Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the consolidated statement of profit or loss as an expense as incurred.

(iii) Amortisation

Amortisation is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets. Goodwill is not amortised; other intangible assets are amortised from the date the asset is available for use. The estimated useful lives are as follows:

Software	1-10 years
Licenses	1-10 years

(i) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Generally, non-current assets, or disposal groups, are measured at the lower of their carrying amount and fair value less cost to sell.

(j) Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3. Significant accounting policies (continued)

(i) *Financial assets carried at amortised cost*

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis.

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) *Financial assets carried at cost*

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in the consolidated statement of profit or loss and cannot be reversed.

(iii) *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3. Significant accounting policies (continued)

(iv) Non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in the consolidated statement of profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Pensions

The Governments of the respective countries are responsible for providing pensions and retirement benefits to the Group's employees. A regular contribution linked to employees' salaries is made by the Group to the Government to fund the national pension plans. Payments under these pension schemes are charged as expenses as they fall due.

(l) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(m) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Significant accounting policies (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

(n) Interest income and expense

Interest income and expense are recognised in the consolidated statement of profit or loss as they accrue, taking into account the effective rate of the asset/liability or an applicable floating rate. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest basis.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of the loan together with the related direct costs, are deferred and recognised as an adjustment to the effective interest rate. Deferred fees are amortised based on average actual historic lives of the related loans.

(o) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided. The Bank acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Bank from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognized based on the Bank's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Bank does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Bank provides the agency service to the insurance company.

Penalty income is recognised in the consolidated statement of profit or loss when the penalty is charged to a customer, taking into account its collectability.

(p) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, 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.

3. Significant accounting policies (continued)

IFRS 9 *Financial Instruments* is effective for period beginning 1 January 2018 and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The final standard is expected to be issued in 2014. 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 impact of these changes will be analysed during the course of the project, as further phases of the standard are issued. The Group does not intend to adopt this standard early.

Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively. The Group has not yet analysed the likely impact of the new amendments on its financial position or performance.

Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4. Interest income and interest expense

	2013	2012
	MRUB	MRUB
Interest income		
Loans to individuals	87,861	50,180
Financial assets available for sale	1,621	1,520
Placements with banks and other financial institutions	683	381
Amounts receivable under reverse repurchase agreements	325	44
Trading derivative instruments	15	273
Loans to corporations	4	5
	<u>90,509</u>	<u>52,403</u>
Interest expense		
Current accounts and deposits from customers	20,944	10,735
Debt securities issued	2,879	2,831
Due to banks and other financial institutions	1,844	1,115
Subordinated debt	1,683	263
Hedging derivative instruments	826	82
Trading derivative instruments	23	258
	<u>28,199</u>	<u>15,284</u>

5. Fee and commission income

	2013	2012
	MRUB	MRUB
Insurance agent commissions	22,226	19,418
Contractual penalties from customers	2,432	1,951
Cash operations	2,401	2,178
Pension agent commissions	747	-
Customer payments processing and account maintenance	621	680
Fees from retailers	572	271
Other	187	30
	<u>29,186</u>	<u>24,528</u>

6. Fee and commission expense

	2013	2012
	MRUB	MRUB
Cash transactions	1,196	606
Payments to the Deposit Insurance Agency	936	331
Payments processing and account maintenance	281	130
Other	94	55
	<u>2,507</u>	<u>1,122</u>

7. Other operating income, net

	Note	2013 MRUB	2012 MRUB
Gain from sale of loans	13	920	1,168
Gain from foreign exchange revaluation of financial assets and liabilities		444	45
Share of the profit of associate		163	95
Net gain from sale of interest in associate		116	69
Net realised loss on disposal of financial assets available for sale		(3)	(55)
Net loss on spot transactions and derivatives		(277)	(206)
Net gain on early redemption of debt securities issued		-	9
Loss on early redemption of amounts due to banks and other financial institutions		-	(45)
Other		(56)	(29)
		<u>1,307</u>	<u>1,051</u>

8. Impairment losses

	Note	2013 MRUB	2012 MRUB
Cash loans	13	34,406	12,669
POS loans	13	7,599	4,023
Credit card loans	13	5,480	1,296
Property, equipment and intangible assets	16	193	-
Loans to corporations	13	18	-
Car loans	13	(15)	(23)
Mortgage loans	13	(29)	(124)
Other assets	17	3	-
		<u>47,655</u>	<u>17,841</u>

9. General administrative expenses

	Note	2013 MRUB	2012 MRUB
Personnel related expenses		12,694	9,128
Occupancy	28	3,256	2,214
Payroll related taxes		2,427	1,716
Depreciation and amortisation	16	2,230	1,420
Telecommunication and postage		1,721	1,257
Advertising and marketing		1,074	1,128
Professional services		1,046	604
Repairs and maintenance		1,011	649
Information technology		477	253
Travel expenses		465	364
Taxes other than income tax		291	146
Other		1,474	825
		<u>28,166</u>	<u>19,704</u>

10. Income tax expense

	2013	2012
	MRUB	MRUB
Current tax expense	4,135	5,340
Deferred tax benefit	(765)	(365)
	<u>3,370</u>	<u>4,975</u>

Reconciliation of effective tax rate

	2013	2012
	MRUB	MRUB
Profit before tax	<u>14,475</u>	<u>24,031</u>
Income tax using the applicable tax rate 20%	2,896	4,806
Dividends from Bank Home Credit (SB JSC)	140	-
Net non-deductible costs	346	177
Income taxed at lower tax rates	(12)	(8)
	<u>3,370</u>	<u>4,975</u>

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

	2013		2012		
MRUB	Amount	Tax benefit/	Amount	Amount	Tax benefit/
	before tax	(expense)	net of tax	before tax	(expense)
Net change in fair value of financial assets available for sale	(20)	4	(16)	74	(15)
Cash flow hedge reserve	51	(10)	41	(49)	10
	<u>31</u>	<u>(6)</u>	<u>25</u>	<u>25</u>	<u>(5)</u>
					<u>20</u>

11. Cash and cash equivalents

	2013	2012
	MRUB	MRUB
Placements with banks and other financial institutions due within one month	19,421	26,347
Cash	9,518	9,763
Amounts receivable under reverse repurchase agreements	8,654	6,754
Nostro accounts with the CBR	5,602	6,270
Nostro accounts with the NBRK	128	1,264
Placements with the CBR	-	1,600
	<u>43,323</u>	<u>51,998</u>

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

11. Cash and cash equivalents (continued)

Placements with banks and other financial institutions

	2013 MRUB	2012 MRUB
Nostro accounts		
OECD banks	8,985	16,738
Largest 50 Russian banks	3,055	2,325
Other	479	561
	<u>12,519</u>	<u>19,624</u>

	2013 MRUB	2012 MRUB
Loans and deposits		
National Bank of the Republic of Belarus	2,291	-
OECD banks	1,991	1,519
Largest 50 Russian banks	800	3,548
Other	1,820	1,656
	<u>6,902</u>	<u>6,723</u>

Amounts receivable under reverse repurchase agreements

	2013 MRUB	2012 MRUB
Other Russian non-banking financial institutions	3,826	5,454
Largest 50 Russian banks	3,714	1,085
Other foreign non-banking financial institutions	913	168
Other Russian banks	201	47
	<u>8,654</u>	<u>6,754</u>

Collateral for amounts receivable under reverse repurchase agreements

	2013 MRUB	2012 MRUB
Debt securities	9,931	7,786
	<u>9,931</u>	<u>7,786</u>

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

12. Placements with banks and other financial institutions

	2013 MRUB	2012 MRUB
Term deposits with banks and other financial institutions due after one month	3,704	1,712
Minimum reserve deposit with the CBR	2,376	1,969
Placements with MasterCard and VISA	750	-
Minimum reserve deposit with the NBRK	377	335
	<u>7,207</u>	<u>4,016</u>

12. Placements with banks and other financial institutions (continued)

Term deposits with banks and other financial institutions due after one month	2013 MRUB	2012 MRUB
Foreign financial institutions	3,670	1,063
Russian financial institutions	20	-
Other	14	649
	3,704	1,712

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

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

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

13. Loans to customers

	2013 MRUB	2012 MRUB
Cash loans	208,386	164,140
POS loans	76,364	65,321
Credit card loans	42,722	23,738
Mortgage loans	4,188	3,860
Car loans	100	279
Loans to corporations	18	24
Impairment allowance	(45,865)	(20,046)
	285,913	237,316

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 98 and require a minimum monthly payment of 5% of the outstanding credit balance on the respective credit card (31 December 2012: 3 years and TRUB 125 respectively and a minimum monthly payment of 5% of the outstanding credit balance on the respective credit card). As at 31 December 2013 the average loan-to-value ratio for mortgage loans is 61% (as at 31 December 2012: 60%).

The following table provides the average size of loans granted and the average term by type of loans as at 31 December:

	Size TRUB	2013 Term Months	Size TRUB	2012 Term Months
Cash loans	152.0	36	119.2	34
POS loans	34.2	19	29.6	18

13. Loans to customers (continued)

Analysis of collateral

The following table provides the analysis of loan portfolio by type of collateral as at 31 December:

	2013		2012	
	Portfolio MRUB	% of loan portfolio	Portfolio MRUB	% of loan portfolio
Real estate	4,188	1	3,860	2
Motor vehicles	100	-	279	-
No collateral	327,490	99	253,223	98
Total	331,778		257,362	

The amounts shown in the table above represent the gross amount of the loans, and do not necessarily represent the fair value of the collateral.

Mortgage loans are secured by underlying housing real estate. Car loans are secured by underlying motor vehicles. Credit card loans, cash loans, POS loans and loans to corporations are not secured.

Overdue mortgage and car loans with a gross value of MRUB 239 (31 December 2012: MRUB 353) are secured by collateral with a fair value of MRUB 397 (31 December 2012: MRUB 731). For the remaining overdue loans to customers with a gross value of MRUB 67,405 (31 December 2012: MRUB 34,447) there is no collateral.

Collateral does not have a significant effect on the amount of loan impairment allowance.

As at 31 December 2013 repossessed collateral for mortgage loans amounted to MRUB 294 (31 December 2012: MRUB 292).

MRUB	2013			2012		
	Gross	Impairment allowance	Carrying amount	Gross	Impairment allowance	Carrying amount
Loans to corporations						
<i>Current</i>	18	(18)	-	24	-	24
Loans to individuals						
<i>Current</i>	264,116	(3,927)	260,189	222,538	(2,445)	220,093
<i>Days past due:</i>						
<i>1 – 90</i>	28,988	(13,474)	15,514	18,121	(6,297)	11,824
<i>90 – 360</i>	38,623	(28,422)	10,201	16,516	(11,172)	5,344
<i>more than 360</i>	33	(24)	9	163	(132)	31
Total	331,778	(45,865)	285,913	257,362	(20,046)	237,316

13. Loans to customers (continued)

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

	2013		2012	
	NPLs	Provision	NPLs	Provision
	MRUB	coverage	MRUB	coverage
		%		%
Cash loans	26,654	125	10,574	129
POS loans	6,427	116	4,161	111
Credit card loans	5,422	92	1,724	93
Mortgage loans	134	105	189	112
Car loans	19	100	31	110
Total	38,656	119	16,679	120

Non-performing loans are defined by the Group as loans and receivables overdue more 90 days. Loans and receivables, except for mortgage and car loans, overdue 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 year ended 31 December 2013 the Group sold NPLs with a gross value including penalties of MRUB 9,300 for MRUB 633 (year ended 31 December 2012: MRUB 8,972 for MRUB 457).

During the year ended 31 December 2013 the Group did not sell performing mortgage loans (31 December 2012: MRUB 123).

During the year ended 31 December 2013 the Group sold performing Cash and POS loans to a related party with the gross value of MRUB 20,328 for MRUB 21,248. The gain of MRUB 920 is recognised in other operating income, net (31 December 2012: performing Cash and POS loans with the gross value of MRUB 9,114 for MRUB 10,282, with a gain of MRUB 1,168) (Note 7).

The Group estimated the impairment on loans to customers in accordance with the accounting policy as described in Note 3(j). The key assumptions used in estimating impairment losses are as follows:

- future loan migration and collection experience will be consistent with recent experience
- unsecured loans which borrowers are unable to repay in full can be partially recovered through the sale of the loans to collection agencies for 6.8% of the outstanding balance and through further collection of 17-33% of the loans' outstanding principal balances
- car loans which borrowers are unable to repay in full can be partially recovered through further collection of 15% of the loans' outstanding principal balances
- mortgage loans which borrowers are unable to repay in full can be partially recovered through the sale of collateral for 50% of the loans' outstanding principal balances.

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 December 2013 would be MRUB 2,859 lower/higher (31 December 2012: MRUB 2,373).

As at 31 December 2013 cash loans receivables with the total carrying amount of MRUB 6,121 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.

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 year ended 31 December 2013 are as follows:

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Loans to corporations	Total
Balance at 1 January	13,588	4,618	1,595	211	34	-	20,046
Net charge/(recovery)	34,406	7,599	5,480	(29)	(15)	18	47,459
Loans recovered and sold which previously were written off	844	695	487	86	17	-	2,129
Write offs	(15,609)	(5,509)	(2,594)	(127)	(17)	-	(23,856)
Effect of foreign currency translation	57	30	-	-	-	-	87
Balance at 31 December	33,286	7,433	4,968	141	19	18	45,865

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2012 are as follows:

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Loans to corporations	Total
Balance at 1 January	3,488	3,313	893	392	90	11	8,187
Net charge/(recovery)	12,669	4,023	1,296	(124)	(23)	-	17,841
Loans recovered and sold which previously were written off	460	566	637	220	20	-	1,903
Write offs	(3,499)	(3,639)	(1,231)	(277)	(53)	(11)	(8,710)
Impairment allowance resulting from business combination	470	355	-	-	-	-	825
Balance at 31 December	13,588	4,618	1,595	211	34	-	20,046

14. Positive fair value of derivative instruments

	2013 MRUB	2012 MRUB
Hedging derivative instruments	346	85
Trading derivative instruments	25	182
	371	267

Cash flows of hedging derivative instruments are expected to occur in years 2014 to 2016.

15. Financial assets available for sale

	Note	2013 MRUB	2012 MRUB
Quoted debt securities			
Pledged as collateral for balances due to banks	20	-	19,562
Largest 50 Russian banks		-	8,797
Other		-	10,765
Unpledged debt securities		5,711	7,880
Largest 50 Russian banks		1,522	3,141
Other		4,189	4,739
		<u>5,711</u>	<u>27,442</u>
Non-quoted debt securities			
		2013 MRUB	2012 MRUB
Debt securities			
Largest 50 Russian banks		-	299
Other		-	550
		<u>-</u>	<u>849</u>
		<u>5,711</u>	<u>28,291</u>

16. Property, equipment and intangible assets

Movements in property, equipment and intangible assets for the year ended 31 December 2013 are as follows:

MRUB	Land and buildings	Vehicles	Furniture	Leasehold improvements	Computers and equipment	Intangible assets	Total
Cost							
Balance at 1 January	5,236	158	1,243	1,999	4,420	2,545	15,601
Additions	111	32	464	783	1,308	1,519	4,217
Effect of foreign currency translation	2	1	5	3	10	10	31
Disposals	-	(27)	(21)	(63)	(120)	(33)	(264)
Impairment	(27)	-	(44)	(90)	(32)	-	(193)
Balance at 31 December	5,322	164	1,647	2,632	5,586	4,041	19,392
Accumulated depreciation and amortisation							
Balance at 1 January	1,114	89	401	290	1,995	969	4,858
Depreciation and amortisation charge	107	18	218	393	907	587	2,230
Effect of foreign currency translation	-	(1)	3	1	4	2	9
Disposals	-	(26)	(12)	(21)	(115)	(1)	(175)
Balance at 31 December	1,221	80	610	663	2,791	1,557	6,922
Net book value at 1 January	4,122	69	842	1,709	2,425	1,576	10,743
Net book value at 31 December	4,101	84	1,037	1,969	2,795	2,484	12,470

Movements in the impairment allowance are as follows:

	Note	2013 MRUB	2012 MRUB
Balance at 1 January		-	-
Impairment losses	1	(193)	-
Balance at 31 December		(193)	-

16. Property, equipment and intangible assets (continued)

Movements in property, equipment and intangible assets for the year ended 31 December 2012 are as follows:

MRUB	Land and buildings	Vehicles	Furniture	Leasehold improvements	Computers and equipment	Intangible assets	Total
Cost							
Balance at 1 January	5,405	127	666	859	2,747	1,401	11,205
Additions	7	12	502	1,027	1,608	1,044	4,200
Additions resulting from business combination	-	22	86	24	123	100	355
Disposals	-	(3)	(11)	(87)	(58)	-	(159)
Transfers	(176)	-	-	176	-	-	-
Balance at 31 December	5,236	158	1,243	1,999	4,420	2,545	15,601
Accumulated depreciation and amortisation							
Balance at 1 January	1,016	73	252	63	1,428	568	3,400
Depreciation and amortisation charge	104	14	117	249	559	377	1,420
Accumulated depreciation resulting from business combination	-	5	40	11	62	24	142
Disposals	-	(3)	(8)	(39)	(54)	-	(104)
Transfers	(6)	-	-	6	-	-	-
Balance at 31 December	1,114	89	401	290	1,995	969	4,858
Net book value at 1 January	4,389	54	414	796	1,319	833	7,805
Net book value at 31 December	4,122	69	842	1,709	2,425	1,576	10,743

17. Other assets

	2013 MRUB	2012 MRUB
Settlements with suppliers	1,169	729
Accrued income	347	3,103
Taxes other than income tax	258	174
Prepaid expenses	71	330
Other	111	401
Impairment allowance	(3)	-
	1,953	4,737

17. Other assets (continued)

Movements in the impairment allowance are as follows:

	2013 MRUB	2012 MRUB
Balance at 1 January	-	-
Impairment losses	(3)	-
Balance at 31 December	<u>(3)</u>	<u>-</u>

18. Debt securities issued

	Maturity	Coupon rate	2013 MRUB	2012 MRUB
Unsecured RUB bond issue 5 of MRUB 4,000	April 2013	8.50%	-	4,070
Stock exchange RUB bond issue 03 of MRUB 4,000	October 2013	7.90%	-	4,056
Loan participation notes issue 6 of MUSD 500	March 2014	Fixed, 7.00%	16,686	15,459
Stock exchange RUB bond issue 01 of MRUB 3,000	April 2014	Floating, 8.80%	3,050	3,049
Unsecured RUB bond issue 6 of MRUB 5,000	June 2014	9.35%	5,027	5,026
Unsecured RUB bond issue 7 of MRUB 5,000	April 2015	9.75%	5,087	5,083
Stock exchange RUB bond issue 02 of MRUB 3,000	February 2016	9.40%	3,014	-
Cash loan receivables backed notes of MRUB 5,000	November 2021/ November 2016*	8.25%	4,961	-
Unsecured KZT bond issue 1 of MKZT 7,000	November 2016	Fixed, 8.50%	1,459	-
			<u>39,284</u>	<u>36,743</u>

* Early redemption option date

The RUB denominated bond issue 5 was issued in April 2008 with a fixed coupon rate, resettable at specified option dates. In April 2013 the Group fully repaid the bond issue at par.

In April 2011 the Group issued the RUB denominated Stock exchange bond issue 03 with a fixed coupon rate set for the subsequent thirty months. In October 2013 the Group fully repaid the bond issue at par.

The USD denominated loan participation notes issue 6 was issued in March 2011 through Eurasia Capital S.A. in the amount of MUSD 500. The proceeds from the issue were used to grant an unsecured loan to the Bank.

In April 2011 the Group issued the RUB denominated Stock exchange bond issue 01 with a floating coupon rate at 3M MosPrime + 200 b.p., resettable at specified coupon dates.

The RUB denominated bond issue 6 was issued in June 2009 with a fixed coupon rate, resettable at specified option dates. In December 2012 the Group reset a new coupon rate which is valid until the final maturity date.

18. Debt securities issued (continued)

In April 2010 the Group issued the 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 is valid until the final maturity date.

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 a 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.

In November 2013 the Group issued the KZT denominated bond issue 1 with a fixed coupon rate which is valid until the final maturity.

Eurasia Capital S.A., HC Finance (LLC) and Eurasia Structured Finance No. 3 B.V. are the 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 concluded that it controls these structured entities.

19. Subordinated debt

	Maturity	Coupon rate	2013 MRUB	2012 MRUB
Loan participation notes issue of MUSD 500	April 2020/ April 2018*	Fixed, 9.38%	16,541	15,315
Loan participation notes issue of MUSD 200	April 2021/ April 2019*	Fixed, 10.50%	6,641	-
Subordinated borrowings from parent	December 2016	9.64%	136	129
			23,318	15,444

* Early redemption option 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.

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.

20. Due to banks and other financial institutions

	2013	2012
	MRUB	MRUB
Unsecured loans	13,811	35,154
Other balances	246	108
Secured loans	-	16,553
	14,057	51,815

As at 31 December 2012 the Group pledged and transferred financial assets available for sale with carrying amount of MRUB 19,562 (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 3,009.

21. Current accounts and deposits from customers

	2013	2012
	MRUB	MRUB
Retail		
Term deposits	194,518	146,205
Current accounts and demand deposits	20,195	18,128
	214,713	164,333
Corporate		
Term deposits	5,929	9,005
Current accounts and demand deposits	739	951
	6,668	9,956
	221,381	174,289

22. Negative fair value of derivative instruments

	2013	2012
	MRUB	MRUB
Hedging derivative instruments	85	321
Trading derivative instruments	62	118
	147	439

Cash flows of hedging derivative instruments are expected to occur in 2014.

23. Deferred tax asset and liability

The Group's applicable tax rate for deferred tax is 20% (2012: 20%). Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to a net deferred tax asset as at 31 December 2013 and as at 31 December 2012. These temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

MRUB	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Cash and cash equivalents, placements with banks and other financial institutions	-	-	(238)	(57)	(238)	(57)
Loans to customers	1,510	373	(351)	(334)	1,159	39
Financial assets available for sale	-	21	-	-	-	21
Property, equipment and intangible assets	-	-	(1,082)	(912)	(1,082)	(912)
Fair value of derivative instruments	29	86	(74)	(44)	(45)	42
Other assets	581	297	-	-	581	297
Debt securities issued	4	-	(34)	(37)	(30)	(37)
Due to banks and other financial institutions	49	-	(1)	(3)	48	(3)
Other liabilities	696	944	(1)	(5)	695	939
Net deferred tax asset					1,088	329

Movements in temporary differences during the years ended 31 December 2013 and 2012 are presented as follows.

MRUB	1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	
				31 December 2013
Cash and cash equivalents, placements with banks and other financial institutions	(57)	(181)	-	(238)
Loans to customers	39	1,120	-	1,159
Financial assets available for sale	21	(25)	4	-
Property, equipment and intangible assets	(912)	(170)	-	(1,082)
Fair value of derivative instruments	42	(77)	(10)	(45)
Other assets	297	284	-	581
Debt securities issued	(37)	7	-	(30)
Due to banks and other financial institutions	(3)	51	-	48
Other liabilities	939	(244)	-	695
	329	765	(6)	1,088

23. Deferred tax asset and liability (continued)

MRUB	1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquired as a result of business combination	31 December 2012
Cash and cash equivalents, placements with banks and other financial institutions	(59)	2	-	-	(57)
Loans to customers	(57)	117	-	(21)	39
Financial assets available for sale	5	31	(15)	-	21
Property, equipment and intangible assets	(553)	(354)	-	(5)	(912)
Fair value of derivative instruments	(106)	138	10	-	42
Other assets	110	187	-	-	297
Debt securities issued	(22)	(15)	-	-	(37)
Due to banks and other financial institutions	80	(83)	-	-	(3)
Other liabilities	588	342	-	9	939
	(14)	365	(5)	(17)	329

24. Other liabilities

	2013 MRUB	2012 MRUB
Accrued employee compensation	2,443	3,625
Settlements with suppliers	1,390	1,241
Other taxes payable	938	1,668
Provision for restructuring	99	-
Other	681	541
	5,551	7,075

25. Risk management, corporate governance and internal control

(a) Corporate governance framework

The Bank is established as a limited liability company in accordance with Russian law. The supreme governing body of the Bank is the general participants meeting that is called for annual or extraordinary meetings. The general participants meeting makes strategic decisions on the Bank's operations.

The general participants meeting elects the Council. The Council is responsible for overall governance of the Bank's activities.

Russian legislation and the charter of the Bank establish lists of decisions that are exclusively approved by the general participants meeting and that are approved by the Council. The Composition of the Council is presented in Note 1.

General activities of the Bank are managed by the sole executive body of the Bank (Chief Executive Officer), and collective executive body of the Bank (Board of Management). The Council elects the Board of Management. The executive bodies of the Bank are responsible for implementation of decisions of the general participants' meeting and the Council of the Bank. Executive bodies of the Bank report to the Council of the Bank and to the general participants' meeting. The composition of the Board of Management is presented in Note 1.

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

(b) Internal control policies and procedures

The Council and the Board of Management have responsibility for the development, implementation and maintaining of internal controls in the Group that are appropriate for the scale and nature of operations.

The purpose of internal controls system is to ensure:

- proper and comprehensive risk assessment and management
- proper business and accounting and financial reporting functions, including proper authorization, processing and recording of transactions
- completeness, accuracy and timeliness of accounting records, managerial information, regulatory reports, etc.
- reliability of IT-systems, data and systems integrity and protection
- prevention of fraudulent or illegal activities, including misappropriation of assets
- compliance with laws and regulations including anti-money laundering.

Management is responsible for identifying and assessing risks, designing controls and monitoring their effectiveness. Management monitors the effectiveness of the Bank's internal controls and periodically introduces additional controls or modifies existing controls as considered necessary.

The Group developed a system of standards, policies and procedures to ensure effective operations and compliance with relevant legal and regulatory requirements, including the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the recording, reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards and
- risk mitigation, including insurance where this is effective.

There is a hierarchy of requirements for authorization of transactions depending on their size and complexity. A significant portion of operations are automated and the Group put in place a system of automated controls.

Compliance with Group standards is supported by a program of periodic reviews undertaken by Internal Audit. The Internal Audit function is independent from management and reports directly to the Council. The results of Internal Audit reviews are discussed with relevant business process managers, with summaries submitted to the Council and senior management of the Group.

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

The internal control system of the Bank comprises:

- the Council
- the Chief Executive officer and the Board of Management
- the Chief Accountant
- the risk management function
- the security function, including IT-security
- the human resource function
- the internal audit function
- other employees, division and functions that are responsible for compliance with the established standards, policies and procedures, including:
 - heads of branches and heads of business-units
 - business processes managers
 - the compliance officer and the compliance function, including the division responsible for compliance with anti-money laundering requirements
 - professional securities market participant controller – an executive office and a division responsible for compliance with the requirements for securities market participants
 - the legal officer – an employee and a division responsible for compliance with the legal and regulatory requirements
 - other employees/divisions with control responsibilities.

Russian legislation, including the Federal Law dated 2 December 1990 No 395-1 *On banks and banking activity*, establishes the professional qualifications, business reputation and other requirements for members of the Board of Directors, Board of Management, Head of internal audit function and other key management personnel. All members of the Bank's governing and management bodies comply with these requirements.

Legislation of Kazakhstan, including the Law dated 31 August 1995 No 2444 *On banks and banking activity in the Republic of Kazakhstan*, establishes the professional qualifications, business reputation and other requirements for members of the Board of Directors, Management Board, and other key management personnel. All members of the Bank Home Credit (SB JSC)'s governing and management bodies comply with these requirements.

Management believes that the Group complies with the CBR and the NBRK requirements related to risk management and internal control systems, including requirements related to the internal audit function, and that risk management and internal control systems are appropriate for the scale, nature and complexity of operations.

(c) Risk management policies and procedures

The Group has exposure to the following risks from its use of financial instruments:

- credit
- market
- liquidity
- operational.

The Board of Management has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Credit Committee and the Asset and Liability Committee ("ALCO"), which are responsible for developing and monitoring risk management policies in their specified areas. Both committees report regularly to the Board of Management on their activities.

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

The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank and Bank Home Credit (SB JSC) calculate mandatory ratios on a daily basis in accordance with the requirement of the CBR and the NBRK, respectively. As at 31 December 2013 the mandatory ratios were in compliance with limits set by the CBR and the NBRK.

(d) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group's exposure to credit risk arises in connection with the provision of consumer financing to private individual customers, which is the Group's principal business. As the Group's loan portfolio consists of a large amount of loans with relatively low outstanding amounts, the loan portfolio does not comprise any significant individual items.

The Group has developed policies and procedures for the management of credit exposures, including credit scoring of customers, guidelines to limit portfolio concentration and the establishment of a credit department which actively monitors the Group's credit risk.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position and unrecognised contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

The Group's derivative transactions that are not transacted on the exchange are entered into under International Derivative Swaps and Dealers Association Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement transactions.

The Group's sale and repurchase and reverse sale and repurchase transactions are covered by Global Master Repurchase Agreements and similar agreements with terms similar to those of International Derivative Swaps and Dealers Association Master Netting Agreements.

The above International Derivative Swaps and Dealers Association Master Netting Agreements and similar master netting arrangements do not meet the criteria for offsetting in the consolidated statement of financial position.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of sale and repurchase, and reverse sale and repurchase agreements.

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

Such collateral is subject to the standard industry terms of the GMRA. This means that securities received/given as collateral can be pledged or sold during the term of the transaction, but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2013:

MRUB	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral received	Net amount
Derivative instruments	257	-	257	(105)	-	152
Reverse sale and repurchase agreements	8,654	-	8,654	(8,654)	-	-
Total financial assets	8,911	-	8,911	(8,759)	-	152
Derivative instruments	143	-	143	(105)	-	38
Total financial liabilities	143	-	143	(105)	-	38

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2012:

MRUB	Gross amounts of recognised financial asset/liability	Gross amount of recognised financial liability/asset offset in the consolidated statement of financial position	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		
				Financial instruments	Cash collateral received	Net amount
Derivative instruments	126	-	126	(79)	-	47
Reverse sale and repurchase agreements	6,754	-	6,754	(6,754)	-	-
Total financial assets	6,880	-	6,880	(6,833)	-	47
Derivative instruments	256	-	256	(79)	-	177
Sale and repurchase agreements	16,553	-	16,553	(16,553)	-	-
Total financial liabilities	16,809	-	16,809	(16,632)	-	177

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

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the consolidated statement of financial position that are disclosed in the above tables are measured in the consolidated statement of financial position on the following basis:

- derivative assets and liabilities – fair value
- assets and liabilities resulting from sale and repurchase agreements, reverse sale and repurchase agreements – amortised cost.

The table below reconciles the “Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position”, as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2013.

MRUB	Net amounts	Line item in the consolidated statement of financial position	Carrying amount in the consolidated statement of financial position	Financial asset/liability not in the scope of offsetting disclosure	Note
		Positive fair value of derivative			
Derivative instruments	257	instruments	371	114	14
Reverse sale and repurchase agreements	8,654	Cash and cash equivalents	43,323	34,669	11
		Negative fair value of derivative			
Derivative instruments	143	instruments	147	4	22

The table below reconciles the “Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position”, as set out above, to the line items presented in the consolidated statement of financial position as at 31 December 2012.

MRUB	Net amounts	Line item in the consolidated statement of financial position	Carrying amount in the consolidated statement of financial position	Financial asset/liability not in the scope of offsetting disclosure	Note
		Positive fair value of derivative			
Derivative instruments	126	instruments	267	141	14
Reverse sale and repurchase agreements	6,754	Cash and cash equivalents	51,998	45,244	11
		Negative fair value of derivative			
Derivative instruments	256	instruments	439	183	22
Sale and repurchase agreements	16,553	Due to banks and other financial institutions	51,815	35,262	20

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

(e) Market risk

Market risk is the risk that changes in interest rates or foreign exchange rates will affect the Group's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The majority of the Group's exposure to market risk arises in connection with the funding of operations with liabilities denominated in foreign currencies, and to the extent the interest rate repricing structure of interest bearing assets differs from that of liabilities.

Overall authority for market risk is vested in ALCO. Market risk limits are approved by ALCO based on recommendations of the Risk Department's Market Risk Management Division.

The Group manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by ALCO.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Group's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of interest rates risk component of market risk, by monitoring the interest rate gap is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

(i) *Exposure to equity price risk*

Equity price risk is the risk that the value of equity instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Equity price risk arises when the Group takes a long or short position in a financial instrument.

The Group's exposure to equity price risk is insignificant as its securities portfolio comprises an insignificant part of total assets. As at 31 December 2013 the Group did not have open material positions in equity securities.

(ii) *Exposure to interest rate risk*

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates.

Interest rate risk is managed by increasing or decreasing positions within limits specified by management. These limits restrict the potential effect of movements in interest rates on current earnings and on the value of interest sensitive assets and liabilities.

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

Effective interest rates and repricing analysis

The following table indicates effective interest rates for interest-earning financial assets and interest-bearing financial liabilities at the reporting date and the periods in which they reprice.

MRUB	Effective interest rate	2013						Total	Effective interest rate	2012						Total
		Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Less than 3 months			3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years			
Interest-earning financial assets																
RUB interest-earning financial assets																
Cash and cash equivalents	6.2%	7,813	-	-	-	-	7,813	6.3%	11,279	-	-	-	-	-	11,279	
Placements with banks and other financial institutions	8.5%	-	1,808	-	-	-	1,808	8.5%	-	1,063	-	-	-	-	1,063	
Loans to customers																
Loans to corporations	-	-	-	-	-	-	-	18.0%	3	9	12	-	-	-	24	
Loans to individuals	33.1%	32,998	62,510	46,981	117,863	2,117	262,469	35.4%	48,589	98,951	45,253	28,221	686	-	221,700	
Financial assets available for sale	8.4%	746	32	-	-	-	778	8.8%	8,210	13,926	-	-	-	-	22,136	
USD interest-earning financial assets																
Cash and cash equivalents	1.2%	6,919	-	-	-	-	6,919	0.7%	2,598	-	-	-	-	-	2,598	
Placements with banks and other financial institutions	4.5%	984	-	-	-	-	984	-	-	-	-	-	-	-	-	
Loans to customers																
Loans to individuals	11.7%	-	-	-	188	1,601	1,789	11.7%	91	259	314	759	656	-	2,079	
Financial assets available for sale	2.8%	4,933	-	-	-	-	4,933	5.1%	3,000	3,155	-	-	-	-	6,155	
KZT interest-earning financial assets																
Loans to customers																
Loans to individuals	35.1%	2,780	7,351	8,694	2,830	-	21,655	32.2%	1,434	5,672	5,270	1,137	-	-	13,513	
EUR interest-earning financial assets																
Cash and cash equivalents	2.7%	824	-	-	-	-	824	-	-	-	-	-	-	-	-	
Placements with banks and other financial institutions	4.9%	-	900	-	-	-	900	-	-	-	-	-	-	-	-	

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

Effective interest rates and repricing analysis

MRUB	Effective interest rate	2013						Effective interest rate	Less than 3 months	2012					Total
		Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total			Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
Interest-bearing financial liabilities															
RUB interest-bearing financial liabilities															
Debt securities issued	9.3%	232	7,999	4,997	7,911	-	21,139	9.0%	297	7,996	7,997	4,994	-	-	21,284
Due to banks and other financial institutions	8.9%	2,491	3,746	2,238	219	-	8,694	6.9%	38,477	7,769	618	522	-	-	47,386
Current accounts and deposits from customers	9.9%	67,283	112,822	7,151	-	-	187,256	10.8%	33,817	93,539	24,006	-	-	-	151,362
USD interest-bearing financial liabilities															
Debt securities issued	7.3%	16,686	-	-	-	-	16,686	7.3%	297	-	15,162	-	-	-	15,459
Subordinated debt	10.1%	-	421	-	16,258	6,503	23,182	9.8%	-	261	-	-	-	15,054	15,315
Current accounts and deposits from customers	4.5%	1,987	2,404	128	5	-	4,524	4.9%	579	1,373	14	-	-	-	1,966
EUR interest-bearing financial liabilities															
Due to banks and other financial institutions	2.3%	-	-	-	33	-	33	5.1%	-	633	11	17	-	-	661
Current accounts and deposits from customers	4.5%	575	1,657	29	-	-	2,261	5.2%	254	672	1	-	-	-	927
CZK interest-bearing financial liabilities															
Due to banks and other financial institutions	5.3%	-	-	868	-	-	868	5.3%	-	-	-	802	-	-	802
KZT interest-bearing financial liabilities															
Debt securities issued	9.9%	-	-	-	1,459	-	1,459	-	-	-	-	-	-	-	-
Subordinated debt	9.6%	-	-	-	136	-	136	9.6%	-	-	-	129	-	-	129
Due to banks and other financial institutions	13.7%	560	2,516	1,140	-	-	4,216	11.8%	786	1,290	782	-	-	-	2,858
Current accounts and deposits from customers	7.8%	1,343	3,802	661	600	-	6,406	8.0%	963	2,400	313	-	-	-	3,676
Net position as at 31 December															
in RUB		(28,449)	(60,217)	32,595	109,733	2,117	55,779		(4,510)	4,645	12,644	22,705	686	-	36,170
in USD		(5,837)	(2,825)	(128)	(16,075)	(4,902)	(29,767)		4,813	1,780	(14,862)	759	(14,398)	-	(21,908)
in EUR		249	(757)	(29)	(33)	-	(570)		(254)	(1,305)	(12)	(17)	-	-	(1,588)
in CZK		-	-	(868)	-	-	(868)		-	-	-	(802)	-	-	(802)
in KZT		877	1,033	6,893	635	-	9,438		(315)	1,982	4,175	1,008	-	-	6,850

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

Effective interest rates sensitivity analysis

An analysis of sensitivity of net profit and equity to changes in market interest rates based on a simplified scenario of a 1% symmetrical fall or rise in all yield curves and positions of interest bearing assets and liabilities existing as at 31 December 2013 and 2012 is as follows:

	2013 Total effect on net profit/ equity MRUB	2012 Total effect on net profit/ equity MRUB
RUB		
+ 1% rate increase	(149)	(77)
- 1% rate decrease	149	77
USD		
+ 1% rate increase	39	35
- 1% rate decrease	(39)	(35)
KZT		
+ 1% rate increase	10	(12)
- 1% rate decrease	(10)	12

An analysis of sensitivity of equity as a result of changes in the fair value of financial assets available for sale due to changes in the interest rates based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 1% symmetrical fall or rise in all yield curves is as follows:

	2013 Total effect on equity MRUB	2012 Total effect on equity MRUB
+ 1% rate increase	(7)	(160)
- 1% rate decrease	7	160

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

Foreign currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency.

Foreign exchange rate risk mainly arises due to the funding of the Group operations with liabilities denominated in foreign currencies. Derivative financial instruments are used by the Group to hedge the mismatches in the foreign currency structure of assets and liabilities. Assets and liabilities by currency as at 31 December are as follows:

MRUB	2013					2012				
	USD	EUR	RUB	Other currencies	Total	USD	EUR	RUB	Other currencies	Total
Assets										
Cash and cash equivalents	16,826	1,502	23,783	1,212	43,323	21,545	1,757	28,153	543	51,998
Placements with banks and other financial institutions	1,785	935	4,110	377	7,207	634	16	3,031	335	4,016
Loans to customers	1,789	-	262,469	21,655	285,913	2,079	-	221,724	13,513	237,316
Positive fair value of derivative instruments	-	-	371	-	371	-	-	231	36	267
Financial assets available for sale	4,933	-	778	-	5,711	6,155	-	22,136	-	28,291
Property, equipment and intangible assets	-	-	11,536	934	12,470	-	-	10,743	-	10,743
Assets held for sale	-	-	294	-	294	-	-	-	-	-
Investment in associate	-	-	163	-	163	-	-	102	-	102
Deferred tax asset	-	-	1,072	16	1,088	-	-	346	-	346
Current income tax receivable	-	-	434	7	441	-	-	-	-	-
Other assets	9	4	1,665	275	1,953	29	146	4,226	336	4,737
Total assets	25,342	2,441	306,675	24,476	358,934	30,442	1,919	290,692	14,763	337,816
Liabilities										
Debt securities issued	16,686	-	21,139	1,459	39,284	15,459	-	21,284	-	36,743
Subordinated debt	23,182	-	-	136	23,318	15,315	-	-	129	15,444
Due to banks and other financial institutions	-	51	8,920	5,086	14,057	-	682	47,452	3,681	51,815
Current accounts and deposits from customers	5,085	2,311	205,146	8,839	221,381	2,693	935	165,601	5,060	174,289
Negative fair value of derivative instruments	-	-	147	-	147	-	-	430	9	439
Deferred tax liability	-	-	-	-	-	-	-	-	17	17
Current income tax liability	-	-	-	-	-	-	-	656	4	660
Other liabilities	29	30	4,862	630	5,551	37	14	6,355	669	7,075
Total liabilities	44,982	2,392	240,214	16,150	303,738	33,504	1,631	241,778	9,569	286,482
Effect of foreign currency derivatives	19,889	-	(18,306)	(2,385)	(802)	2,393	(1,191)	(2,313)	486	(625)
Net position as of 31 December	249	49	48,155	5,941	54,394	(669)	(903)	46,601	5,680	50,709

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

Foreign currency risk sensitivity analysis

An analysis of sensitivity of net profit and equity to change in the currency exchange rates based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 10% change in USD and EUR to Russian Rouble exchange rates is as follows:

	2013	2012
	Total effect	Total effect
	on net profit/	on net profit/
	equity	equity
	MRUB	MRUB
Effect of 10% RUB depreciation against USD	20	(54)
Effect of 10% RUB appreciation against USD	(20)	54
Effect of 10% RUB depreciation against EUR	4	(72)
Effect of 10% RUB appreciation against EUR	(4)	72

(f) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Financial Markets department collects information from other departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. A portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering different market conditions. Liquidity position projections are subject to regular review and approval by ALCO.

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

The following table shows assets and liabilities as at 31 December 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.

MRUB	2013							2012						
	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	43,328	-	-	-	-	-	43,328	51,998	-	-	-	-	-	51,998
Placements with banks and other financial institutions	-	994	2,894	-	-	3,517	7,405	-	-	1,133	-	-	2,953	4,086
Loans to customers	27,106	62,223	171,897	124,698	1,831	-	387,755	24,044	47,405	144,746	108,461	1,681	-	326,337
Positive fair value of derivative instruments	(3)	(43)	(107)	224	-	-	72	33	106	127	1	-	-	267
Financial assets available for sale	744	4,949	33	-	-	-	5,726	470	11,070	17,876	-	-	-	29,416
Property, equipment and intangible assets	-	-	-	-	-	12,470	12,470	-	-	-	-	-	10,743	10,743
Assets held for sale	-	-	294	-	-	-	294	-	-	-	-	-	-	-
Investment in associate	-	-	-	-	-	163	163	-	-	-	-	-	102	102
Deferred tax asset	-	-	-	-	-	1,088	1,088	-	-	-	-	-	346	346
Current income tax receivable	-	-	441	-	-	-	441	-	-	-	-	-	-	-
Other assets	459	91	1,377	26	-	-	1,953	3,045	185	1,043	142	-	322	4,737
Total assets	71,634	68,214	176,829	124,948	1,831	17,238	460,695	79,590	58,766	164,925	108,604	1,681	14,466	428,032
Liabilities														
Debt securities issued	187	17,223	9,195	16,117	-	-	42,722	354	648	9,774	29,841	-	-	40,617
Subordinated debt	1	2	2,232	24,647	6,889	-	33,771	-	-	1,424	5,696	18,746	-	25,866
Due to banks and other financial institutions	1,473	1,856	6,671	5,157	-	-	15,157	32,336	7,083	10,233	3,256	-	-	52,908
Current accounts and deposits from customers	48,325	44,591	126,791	9,710	-	-	229,417	29,906	22,505	103,453	28,509	-	-	184,373
Negative fair value of derivative instruments	-	97	52	-	-	-	149	11	151	117	160	-	-	439
Current income tax liability	-	-	-	-	-	-	-	656	-	4	-	-	-	660
Deferred tax liability	-	-	-	-	-	-	-	-	-	-	-	-	17	17
Other liabilities	2,639	735	1,968	-	-	209	5,551	2,997	4,070	8	-	-	-	7,075
Total liabilities	52,625	64,504	146,909	55,631	6,889	209	326,767	66,260	34,457	125,013	67,462	18,746	17	311,955
Net balance position	19,009	3,710	29,920	69,317	(5,058)	17,029	133,928	13,330	24,309	39,912	41,142	(17,065)	14,449	116,077
Irrevocable credit related commitments *	2,233	-	231	-	-	-	2,464	2,508	-	357	1	-	-	2,866
Financial guarantees	1	-	-	-	-	-	1	-	2,500	3,000	-	-	-	5,500
Net off-balance position	2,234	-	231	-	-	-	2,465	2,508	2,500	3,357	1	-	-	8,366
Cumulative net position	16,775	20,485	50,174	119,491	114,433	131,462		10,822	32,631	69,186	110,327	93,262	107,711	

* Other credit related commitments are disclosed in Note 27

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

(g) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

(h) 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.

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

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 29-31.5%. The estimation of the fair value of mortgage loans was made by using discounting future cash flows at discount rates of 10.7% in RUB and 12.8% in USD
- 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 8.5% in RUB, 4.5 - 5% in EUR, 4.5% in USD
- The estimation of the fair value of debt securities issued was made by using market quotes in the range of 99.8-101.5% for debt securities issued in RUB, market quote of 100.3% for debt securities issued in USD and market quote of 97.5% for debt securities issued in KZT
- The estimation of the fair value of subordinated debt was made by using market quotes in the range of 100.1-101% for subordinated debt issued in USD and by using discounting future cash flows at discount rate of 9.2% for borrowings 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 7.5-9.5% in RUB and 7.7-8.4% 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 9.9% in RUB, 4.5% in USD, 4.5% in EUR and 8.5% in KZT
- The Group uses widely recognised valuation models for determining the fair value of financial instruments at fair value through profit or loss that use only observable market data such as foreign currency exchange rates and benchmark interest rates.

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.

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 is categorised as at 31 December 2013:

MRUB	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Assets					
Loans to customers	285,913	-	-	285,194	285,194
Liabilities					
Debt securities issued	39,284	39,455	-	-	39,455
Subordinated debt	23,318	23,354	138	-	23,492
Current accounts and deposits from customers	221,381	-	220,519	-	220,519

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

The estimates of fair values of its 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 December 2013 are not materially different from their carrying values.

The Group's estimates of fair values of its financial assets and liabilities as at 31 December 2012 are not materially different from their carrying values.

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised:

MRUB	Level 1	Level 2	Total
Assets			
Positive fair value of derivative instruments	-	371	371
Financial assets available for sale	5,711	-	5,711
	5,711	371	6,082
Liabilities			
Negative fair value of derivative instruments	-	147	147
	-	147	147

As at 31 December 2013 Level 2 comprises fair values of derivative financial instruments whose valuation is based on FX spot rates as set by the CBR and benchmark interest rates.

During 2013 there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

The table below analyses financial instruments measured at fair value at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised:

MRUB	Level 1	Level 2	Total
Assets			
Positive fair value of derivative instruments	-	267	267
Financial assets available for sale	27,442	849	28,291
	27,442	1,116	28,558
Liabilities			
Negative fair value of derivative instruments	-	439	439
	-	439	439

As at 31 December 2012 Level 2 comprises fair values of derivative financial instruments whose valuation is based on FX spot rates as set by the CBR and benchmark interest rates, and financial assets available for sale whose valuation is based on future cash flows discounted at market interest rate for similar financial instruments.

During 2012 there were no transfers of financial instruments between Level 1, Level 2 and Level 3.

26. Derivative financial instruments

As at 31 December 2013 the following derivative contracts were outstanding:

Contract type	Maturity	Sell/Buy	Notional amount (in RUB equivalent) MRUB	Fair value MRUB
Foreign currency forward contracts	1 to 3 months	RUB/USD	393	3
	3 to 6 months	RUB/USD	327	2
		KZT/USD	1,610	(14)
Foreign currency swap	less than 1 month	KZT/USD	687	(15)
	less than 1 month	RUB/USD	2,618	7
	less than 1 month	USD/RUB	818	-
	1 to 3 months	RUB/USD	2,946	(79)
	3 to 6 months	RUB/USD	2,060	(16)
	3 to 6 months	USD/RUB	2,060	16
	6 to 12 months	RUB/USD	1,636	(7)
	6 to 12 months	USD/RUB	966	(12)
	1 to 5 years	RUB/USD	8,182	232
Interest rate swap contracts	1 to 3 months	Fixed/Floating (RUB)	300	-
	3 to 6 months	Fixed/Floating (RUB)	1,500	(3)
Cross currency interest rate swaps contracts	1 to 5 years	Fixed RUB/ Floating USD	3,273	110
				224

26. Derivative financial instruments (continued)

As at 31 December 2012 the following derivative contracts were outstanding:

Contract type	Maturity	Sell/Buy	Notional amount	Fair value
			(in RUB equivalent) MRUB	
Foreign currency forward contracts	1 to 3 months	RUB/USD	532	(7)
	3 to 6 months	RUB/USD	152	-
Foreign currency swap	less than 1 month	USD/RUB	9,021	23
		EUR/USD	403	1
		EUR/CZK	788	7
	1 to 3 months	KZT/USD	1,137	(11)
		RUB/USD	4,173	(101)
		USD/RUB	4,173	100
	3 to 12 months	RUB/USD	3,037	85
		KZT/EUR	574	36
	1 to 5 years	RUB/USD	4,252	(171)
	Interest rate swap contracts	3 to 6 months	Fixed/Floating (RUB)	1,000
Fixed/Floating (RUB)			500	-
6 months to 1 year		Fixed/Floating (RUB)	1,800	(1)
		1 to 5 years	Fixed RUB/ Floating USD	2,734
				(172)

27. Commitments

Credit related commitments

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

	2013 MRUB	2012 MRUB
Credit card commitments	30,832	42,542
POS and cash loan commitments	2,233	2,508
Undrawn overdraft facilities to corporations	231	358
Guarantee provided	1	5,500
	33,297	50,908

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.

28. 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:

	2013	2012
	MRUB	MRUB
Less than one year	2,411	1,833
Between one and five years	5,152	4,106
More than five years	<u>522</u>	<u>523</u>
	<u>8,085</u>	<u>6,462</u>

During the year MRUB 3,256 (2012: MRUB 2,214) was recognised as an expense in the consolidated statement of profit or loss in respect of operating leases (Note 9).

29. Contingencies

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is 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 subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation 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 that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian 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.

30. 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:

	2013	2012
	MRUB	MRUB
Interest income	127	20
Interest expense	(13)	-
Loss from foreign exchange revaluation of financial assets and liabilities	(18)	-
	96	20

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

	2013	2012
	MRUB	MRUB
Placements with banks and other financial institutions	3,671	1,063
Subordinated debt	(136)	(129)
	3,535	934

As at 31 December 2013 due from banks and other financial institutions shown above include term deposits in the amount of MRUB 3,671 at an effective interest rate of 6.5% with a maturity of three months to one year. (31 December 2012: MRUB 1,063 at an effective interest rate of 8.5% with a maturity of three months to one year).

As at 31 December 2013 subordinated debt amounts to MRUB 136 at an effective interest rate of 9.6% with a maturity of one to five years. (31 December 2012: MRUB 129 at an effective interest rate of 9.6% 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:

	2013	2012
	MRUB	MRUB
Interest income	(558)	(364)
Interest expense	(1,204)	(221)
Fee and commission income	4,287	22
Gain/(loss) from foreign exchange revaluation of financial assets and liabilities	193	(93)
Net (loss)/gain on spot transactions and derivatives	(141)	164
Gain from sale of loans	920	1,168
General administrative expenses	(1,014)	(434)
Other	2	-
	2,485	242

30. 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:

	2013	2012
	MRUB	MRUB
Cash and cash equivalents	2,655	467
Property, equipment and intangible assets	534	279
Loans to customers	287	173
Placements with banks and other financial institutions	20	-
Positive fair value of derivative instruments	16	100
Other assets	236	259
Debt securities issued	(2,503)	(1,934)
Due to banks and other financial institutions	(7,774)	(3,765)
Current accounts and deposits from customers	(326)	(220)
Subordinated debt	(3,621)	(4,699)
Negative fair value of derivative instruments	(12)	(9)
Other liabilities	(117)	(152)
	(10,605)	(9,501)

As at 31 December 2013 loans to customers shown above include loan origination agent fees paid totalling MRUB 287 which form an integral part of loans to customers and are to be amortised within 15 months (31 December 2012: MRUB 173).

The effective interest rate on debt securities issued shown above was 7.4% and the maturity was one month to five years as at 31 December 2013 (31 December 2012: 7.3% and one month to five years respectively).

As at 31 December 2013 amounts due to banks and other financial institutions shown above include term deposits in the amount of MRUB 7,774 at an effective interest rate of 10.6% with the maturity from one month to five years (31 December 2012: MRUB 3,765 at an effective interest rate 10.2% with the maturity from two to five years).

As at 31 December 2013 current accounts and deposits from customers include deposits of MRUB 123 at an effective interest rate of 8% with the maturity of less than two years and other balances of MRUB 203 with the maturity of less than one month (31 December 2012: a deposit of MRUB 110 at an effective interest rate of 6.8% with the maturity of less than two years and other balances of MRUB 110 with the maturity of less than one month).

As at 31 December 2013 subordinated debt amounts to MRUB 3,621 at an effective interest rate of 9.8% with a maturity from three months to five years (31 December 2012: MRUB 4,699 at an effective interest rate 9.8% with the maturity of more than 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 606 (2012: MRUB 1,092) represent compensation for the year.

31. 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 Committee of the Control and Supervision.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBR, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2013 and 2012, this minimum level was 10%.

The calculation of capital adequacy based on requirements set by the CBR as at 31 December is as follows:

	2013	2012
	MRUB	MRUB
Risk-weighted assets	414,558	326,585
Primary capital	40,364	24,059
Additional capital	20,782	24,059
Total capital	61,146	48,118
Capital adequacy	14.7%	14.7%

The Bank calculates the amount of capital and capital adequacy ratios in accordance with the CBR requirements based on Basel III requirements. The amount of capital and capital adequacy ratios were used by the CBR in 2013 for information purposes and not for supervision purposes.

Bank Home Credit (SB JSC) defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Committee of the Control and Supervision, banks in Kazakhstan have to maintain a ratio of tier 1 capital to total assets and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 31 December 2013, this minimum level of tier 1 capital to total assets was 5% and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 10% (31 December 2012: 6% and 12% respectively).

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. In connection with the USD denominated loan participation notes described in Note 18 the Group is committed to maintain its capital adequacy ratio at or above the minimum level of 13%.

The calculation of capital adequacy based on requirements set by BIS as at 31 December is as follows:

	2013	2012
	MRUB	MRUB
Risk weighted assets	333,241	311,535
Tier I capital	55,196	51,334
Tier II capital	22,992	15,290
Total capital	78,188	66,624
Tier I ratio	16.6%	16.5%
Capital Adequacy Ratio	23.5%	21.4%

During the reporting period the Group was fully in compliance with the capital regulations described above.

32. Segment analysis

The Executive Committee (the "Committee") is the chief operating decision maker. The Committee reviews internal reporting on a regular basis to assess the performance of individual segments and to allocate resources accordingly.

The Committee 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 to management.

The Groups operates in the Russian Federation and the Republic of Kazakhstan. In presenting geographical information the allocation of revenue is based on 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 Committee 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

	POS loans	Credit card	Cash	Other	
	MRUB	loans	loans	segments	Total
		MRUB	MRUB	MRUB	MRUB
Year ended					
31 December 2013					
External interest income	12,013	10,512	64,880	3,104	90,509
Fee and commission income	7,588	3,872	16,394	1,031	28,885
Inter segment revenue	-	-	-	25,504	25,504
Total revenues	19,601	14,384	81,274	29,639	144,898
External interest expense	-	-	-	(28,199)	(28,199)
Inter segment interest expense	(4,230)	(5,587)	(15,860)	-	(25,677)
Inter segment other operating expense, net	28	39	106	-	173
Fee and commission expense	(86)	(667)	(114)	(216)	(1,083)
Other operating expense, net	20	-	13	188	221
Impairment losses	(7,599)	(5,480)	(34,406)	26	(47,459)
Total expenses	(11,867)	(11,695)	(50,261)	(28,201)	(102,024)
Segment profit	7,734	2,689	31,013	1,438	42,874

32. Segment analysis (continued)

	POS loans MRUB	Credit card loans MRUB	Cash loans MRUB	Other segments MRUB	Total MRUB
Year ended					
31 December 2012					
External interest income	9,422	5,875	34,330	2,776	52,403
Fee and commission income	6,122	2,296	15,034	124	23,576
Inter segment revenue	-	-	-	11,971	11,971
Total revenues	15,544	8,171	49,364	14,871	87,950
External interest expense	-	-	-	(15,284)	(15,284)
Inter segment interest expense	(2,014)	(866)	(8,964)	-	(11,844)
Inter segment other operating expense, net	(22)	(9)	(96)	-	(127)
Fee and commission expense	-	(468)	-	(54)	(522)
Other operating expense, net	-	-	-	(216)	(216)
Impairment losses	(4,023)	(1,296)	(12,669)	147	(17,841)
Total expenses	(6,059)	(2,639)	(21,729)	(15,407)	(45,834)
Segment profit	9,485	5,532	27,635	(536)	42,116
Segment assets					
MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
Carrying amount at 31 December 2013	68,931	37,754	175,100	30,232	312,017
Carrying amount at 31 December 2012	60,703	22,143	150,552	49,264	282,662

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

	2013 MRUB	2012 MRUB
Segment revenues	144,898	87,950
Inter segment revenue	(25,504)	(11,971)
Unallocated fee and comission income	301	952
Total revenues	119,695	76,931

A reconciliation of segment profit to total profit before tax is provided as follows:

	2013 MRUB	2012 MRUB
Segment profit for reportable segments	42,874	42,116
Unallocated fee and comission income	301	952
Unallocated fee and comission expense	(1,424)	(600)
Unallocated other operating income	1,086	1,267
Unallocated impairment losses	(196)	-
General administrative expenses	(28,166)	(19,704)
Profit before tax	14,475	24,031

32. Segment analysis (continued)

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

	2013	2012
	MRUB	MRUB
Total segment assets	312,017	282,662
Cash and cash equivalents (excluded from other segments)	27,755	36,922
Placements with banks and other financial institutions (excluded from other segments)	2,753	2,304
Property, equipment and intangible assets	12,470	10,743
Assets classified as held for sale	294	-
Investment in associate	163	102
Income tax asset	1,529	346
Other assets	1,953	4,737
Total assets	358,934	337,816

(b) Geographical segments

MRUB	Russian	Kazakhstan	Eliminations	Total
Year ended	Federation			
31 December 2013				
External interest income	84,871	5,638	-	90,509
Fee and commission income	25,698	3,488	-	29,186
Inter segment revenue	169	-	(169)	-
Total revenues	110,738	9,126	(169)	119,695
External interest expense	(27,175)	(1,024)	-	(28,199)
Inter segment interest expense	-	(169)	169	-
Inter segment other operating income/(expense), net	88	(13)	-	75
Fee and commission expense	(2,288)	(219)	-	(2,507)
Other operating income, net	2,641	(7)	(1,402)	1,232
Impairment losses	(45,517)	(2,138)	-	(47,655)
General administrative expenses	(25,813)	(2,353)	-	(28,166)
Total expenses	(98,064)	(5,923)	(1,233)	(105,220)
Profit before tax	12,674	3,203	(1,402)	14,475
Income tax expense	(2,743)	(627)	-	(3,370)
Profit for the period	9,931	2,576	(1,402)	11,105

32. Segment analysis (continued)

During the year ended 31 December 2012 the Group operated in the Russian Federation only.

Segment assets

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Carrying amount at 31 December 2013	338,359	24,729	(4,154)	358,934
Carrying amount at 31 December 2012	323,217	15,980	(1,381)	337,816

Chief Executive Officer

I. Svitek




Chief Financial Officer

I. Kolikova

