

Home Credit and Finance Bank

**Condensed Consolidated Interim Financial Statements
for the six month period ended 30 June 2015**

(unaudited)

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Auditors' Report on Review of Condensed Consolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of OOO "Home Credit and Finance Bank" and its subsidiaries (the "Group") as at 30 June 2015, and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed consolidated interim financial information (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2015 and for the six-month period ended 30 June 2015 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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: JSC KPMG, a company incorporated under the
Laws of the Russian Federation, 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.

Other matter

The condensed consolidated interim financial information for the three-month periods ended 30 June 2015 and 30 June 2014 is not reviewed.

Shevarenkov E.V.
Director (power of attorney No. 155/15 dated 16 March 2015)
JSC KPMG
Moscow, Russian Federation
27 August 2015



Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Profit or Loss
for the six month period ended 30 June 2015

MRUB	Note	6 month period ended 30 June 2015 (Unaudited)	6 month period ended 30 June 2014 (Unaudited)	3 month period ended 30 June 2015 (Unaudited)	3 month period ended 30 June 2014 (Unaudited)
Interest income	4	32,410	39,761	15,784	18,789
Interest expense	4	<u>(16,873)</u>	<u>(12,710)</u>	<u>(8,373)</u>	<u>(6,324)</u>
Net interest income		15,537	27,051	7,411	12,465
Fee and commission income	5	7,410	10,446	3,978	5,408
Fee and commission expense	6	<u>(1,450)</u>	<u>(1,453)</u>	<u>(626)</u>	<u>(764)</u>
Net fee and commission income		5,960	8,993	3,352	4,644
Other operating income, net	7	<u>1,290</u>	<u>442</u>	<u>938</u>	<u>322</u>
Operating income		22,787	36,486	11,701	17,431
Impairment losses on loans to customers	8	(22,247)	(26,892)	(9,758)	(10,549)
Impairment losses on property, equipment and intangible assets	8	(240)	(445)	(240)	(445)
Impairment losses on other assets	8	-	(2)	-	7
General administrative expenses	9	<u>(11,124)</u>	<u>(13,912)</u>	<u>(5,428)</u>	<u>(7,173)</u>
Operating expenses		<u>(33,611)</u>	<u>(41,251)</u>	<u>(15,426)</u>	<u>(18,160)</u>
Loss before tax		(10,824)	(4,765)	(3,725)	(729)
Income tax benefit/(expense)	10	<u>1,985</u>	<u>747</u>	<u>534</u>	<u>(18)</u>
Loss for the period		<u>(8,839)</u>	<u>(4,018)</u>	<u>(3,191)</u>	<u>(747)</u>

The condensed consolidated interim financial statements as set out on pages 5 to 41 were approved by the Board of Management on 27 August 2015.

Acting Chairman

D. Mosolov



Chief Financial Officer

I. Kolikova

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

Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Comprehensive Income
for the six month period ended 30 June 2015

MRUB	6 month period ended 30 June 2015 (Unaudited)	6 month period ended 30 June 2014 (Unaudited)	3 month period ended 30 June 2015 (Unaudited)	3 month period ended 30 June 2014 (Unaudited)
Loss for the period, recognised in condensed consolidated interim statement of profit or loss	<u>(8,839)</u>	<u>(4,018)</u>	<u>(3,191)</u>	<u>(747)</u>
Other comprehensive loss 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	10	25	(291)	54
- net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	166	(47)	318	(62)
Cash flow hedge reserve:				
- effective portion of changes in fair value, net of tax	(1,273)	418	(1,611)	(756)
- net amount transferred to profit or loss, net of tax	863	(149)	1,393	700
Effect of foreign currency translation	<u>(306)</u>	<u>(818)</u>	<u>(466)</u>	<u>(319)</u>
Other comprehensive loss for the period, net of tax	<u>(540)</u>	<u>(571)</u>	<u>(657)</u>	<u>(383)</u>
Total comprehensive loss for the period	<u>(9,379)</u>	<u>(4,589)</u>	<u>(3,848)</u>	<u>(1,130)</u>

Acting Chairman

D. Mosolov



Chief Financial Officer

I. Kolikova

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

*Condensed Consolidated Interim Statement of Financial Position
as at 30 June 2015*

MRUB		30 June 2015	31 Dec 2014
ASSETS	Note	(Unaudited)	
Cash and cash equivalents	11	33,204	33,862
Placements with banks and other financial institutions	12	9,454	15,372
Loans to customers	13	203,754	244,779
Positive fair value of derivative instruments	14	7,736	9,570
Financial assets available for sale	15	23,736	18,120
Property, equipment and intangible assets	16	9,934	11,234
Assets classified as held for sale		191	390
Investment in associate		56	154
Deferred tax asset		5,216	2,542
Current income tax receivable		365	823
Other assets	17	1,276	1,894
Total assets		294,922	338,740
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	18	11,922	17,323
Subordinated debt	19	24,221	37,259
Due to banks and other financial institutions	20	13,282	38,796
Current accounts and deposits from customers	21	198,869	187,263
Negative fair value of derivative instruments	22	8	163
Deferred tax liability		78	37
Other liabilities	23	4,111	5,251
Total liabilities		252,491	286,092
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for financial assets available for sale		63	(113)
Cash flow hedge reserve		256	666
Translation reserve		2,609	2,915
Retained earnings		24,466	34,143
Total equity attributable to equity holders of the Group		42,431	52,648
Total liabilities and equity		294,922	338,740

D. Mosolov

I. Kolikova

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

Home Credit and Finance Bank

Condensed Consolidated Interim Statement of changes in equity

for the six month period ended 30 June 2015

Acting Chairman

D. Mosolov

Chief Financial

I. Kolikova

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

Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Cash Flows
for the six month period ended 30 June 2015

MRUB	Note	6 month period ended 30 June 2015 (Unaudited)	6 month period ended 30 June 2014 (Unaudited)
Cash flow from operating activities			
Interest received		33,372	40,705
Interest paid		(16,344)	(14,124)
Fees and commissions received		7,389	9,792
Fees and commissions paid		(1,454)	(1,433)
Net receipts from foreign exchange transactions		180	1,525
Other operating income received		286	82
Administrative and other operating expenses paid		(8,768)	(12,434)
Income tax paid		(179)	(997)
Cash flows from operating activities before changes in operating assets and liabilities		14,482	23,116
Changes in operating assets and liabilities			
Net decrease/(increase) in placements with banks and other financial institutions		6,034	(408)
Net increase in financial assets available for sale		(5,050)	(1,647)
Net decrease in loans to customers		15,595	4,940
Net decrease in other assets		397	1,054
Net increase/(decrease) in current accounts and deposits from customers		11,994	(5,082)
Net (decrease)/increase in due to banks and other financial institutions		(24,866)	11,587
Net (decrease)/increase in other liabilities		(347)	247
Net cash from operating activities		18,239	33,807
Cash flows used in investing activities			
Dividends from associate		165	-
Proceeds from sale of property and equipment		73	3
Acquisition of property, equipment and intangible assets		(893)	(1,483)
Net cash used in investing activities		(655)	(1,480)
Cash flows used in financing activities			
Proceeds from the issue of debt securities		-	1,514
Repayments of debt securities issued		(5,181)	(26,325)
Repayments of subordinated debt		(10,861)	-
Dividends paid		(838)	(1,211)
Net cash used in financing activities		(16,880)	(26,022)
Net increase in cash and cash equivalents		704	6,305
Effect of exchange rate changes on cash and cash equivalents		(1,362)	(739)
Cash and cash equivalents at 1 January	11	33,862	43,323
Cash and cash equivalents at 30 June	11	33,204	48,889

Acting Chairman

D. Mosolov

Chief Financial Officer

I. Kolikova

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

1. Description of the Group

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

Registered office

8/1 Pravda st
 Moscow 125040
 Russian Federation

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

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

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

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

** As at 30 June 2015 Eurasia Structured Finance No.1 S.A. and Bonus Center Operations (LLC) were in the process of liquidation.*

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

Council

Jiri Smejck	Chairman
Irina Kolikova	Deputy Chairman
Galina Vaisband	Member
Yuly Tai	Member

Board of Management

Yuriy Andresov	Chairman
Dmitri Mosolov	First Deputy Chairman
Artem Aleshkin	Deputy Chairman
Aleksandr Antonenko	Deputy Chairman
Martin Schaffer	Deputy Chairman
Olga Egorova	Member

Artem Aleshkin and Aleksandr Antonenko became the members of Board of Management starting from 1 June 2015.

1. Description of the Group (continued)

Principal activities

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

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

As at 30 June 2015 the Bank's distribution network comprised the head office in Moscow and 7 branches in Ufa, Rostov-on-Don, Saint-Petersburg, Yekaterinburg, Novosibirsk, Khabarovsk, Nizhniy Novgorod, 394 standard banking offices, 3,552 loan offices, 81 regional centres, 3 representative offices and over 88 thousand points of sale which cover over 2,000 residential areas in the Russian Federation and 192 Russian post offices. As at 30 June 2015 the ATM network comprised 794 ATMs and payment terminals across the Russian Federation.

As at 30 June 2015 the distribution network in Kazakhstan comprised 47 standard banking offices, 5,202 loan offices and points of sale and 231 Kazakhstan post offices. As at 30 June 2015 the ATM network of Bank Home Credit (SB JSC) comprised 255 ATMs and payment terminals across Kazakhstan.

2. Basis of preparation

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

(a) Basis of measurement

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

(b) Presentation and functional currency

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

(c) Business environment

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

2. Basis of preparation (continued)

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

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

3. Significant accounting policies

The significant accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

a) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations were not yet effective as at 30 June 2015, and were not applied in preparing these condensed consolidated interim financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective.

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

IFRS 15 *Revenue from Contracts with Customers* supersedes IAS 11 *Construction Contracts*; IAS 18 *Revenue*; IFRIC 13 *Customer Loyalty Programmes*; IFRIC 15 *Agreements for the Construction of Real Estate*; IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. The standard will be effective for annual periods beginning on or after 1 January 2018. Early application is permitted. The Group has not yet analysed the likely impact of the standard on its financial position or performance. The Group does not intend to adopt this standard early.

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 2016. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

b) Comparative numbers

Income and expense on interest rate derivatives were reclassified from interest income and interest expense in the amounts of MRUB 968 and MRUB 904 respectively to other operating income for the six month period ended 30 June 2014 in order to conform the presentation in 2015. The reclassification had no impact on the Group's result or equity.

4. Interest income and interest expense

	6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2015 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)
Interest income				
Loans to individuals	29,928	39,019	14,505	18,314
Placements with banks and other financial institutions	917	392	354	271
Financial assets available for sale	798	177	564	124
Amounts receivable under reverse repurchase agreements	724	171	319	79
Loans to corporations	43	2	42	1
	32,410	39,761	15,784	18,789
Interest expense				
Current accounts and deposits from customers	12,917	8,660	6,795	4,317
Subordinated debt	1,671	1,218	679	606
Due to banks and other financial institutions	1,277	1,207	440	763
Debt securities	720	1,270	307	475
Hedging derivative instruments	288	355	152	163
	16,873	12,710	8,373	6,324

5. Fee and commission income

	6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2015 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)
Insurance agent commissions	4,855	7,294	2,574	3,586
Contractual penalties from customers	921	1,292	524	855
Cash operations	651	1,097	341	596
Fees from retailers	469	297	278	167
Customer payments processing and account maintenance	456	293	229	148
Pension agent commissions	-	50	-	-
Other	58	123	32	56
	7,410	10,446	3,978	5,408

6. Fee and commission expense

	6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2015 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)
Cash transactions	402	460	168	234
Payments to the Deposits Insurance Agency	379	400	189	201
State duties	237	309	44	185
Payments processing and account maintenance	233	194	108	102
Other	199	90	117	42
	1,450	1,453	626	764

7. Other operating income, net

		6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2015 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)
	Note				
Net gain on early redemption of subordinated debt		558	-	482	-
Gain/(loss) from foreign exchange revaluation of financial assets and liabilities		515	(1,035)	740	(578)
Gain from sale of loans	13	195	81	195	70
Net gain/(loss) on spot transactions and currency derivatives		88	1,343	(420)	765
Share of profit of associate		63	-	21	-
Net realised gain on disposal of financial assets available for sale		57	1	30	6
Net gain on early redemption of debt securities issued		18	-	-	-
Net (loss)/gain on interest rate derivatives		(134)	64	(49)	60
Other		(70)	(12)	(61)	(1)
		1,290	442	938	322

8. Impairment losses

	6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2015 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)
Cash loans	13,567	17,610	6,240	6,152
Credit card loans	5,724	5,784	2,357	3,074
POS loans	2,835	3,567	1,136	1,349
Property, equipment and intangible assets	240	445	240	445
Mortgage loans	121	(67)	24	(20)
Car loans	-	(7)	1	(6)
Loans to corporations	-	5	-	-
Other assets	-	2	-	(7)
	22,487	27,339	9,998	10,987

9. General administrative expenses

		6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2015 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)
	Note				
Personnel related expenses		4,654	5,994	2,303	2,960
Depreciation and amortisation		1,390	1,347	675	681
Payroll related taxes		1,072	1,376	493	633
Occupancy	26	970	1,775	445	915
Professional services		898	616	450	318
Telecommunication and postage		507	819	243	411
Repairs and maintenance		335	506	150	313
Information technology		278	211	133	116
Taxes other than income tax		149	129	72	62
Travel expenses		116	160	64	96
Advertising and marketing		56	355	1	321
Other		699	624	399	347
		11,124	13,912	5,428	7,173

Business optimisation programme

During the six month period ended 30 June 2015 the Group continued its 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. As at 30 June 2015 the Group created a provision for restructuring under the business optimisation programme mentioned above of MRUB 54 (Note 23) (as at 30 June 2014: MRUB 174). During the six month period ended 30 June 2015 as a result of closure of offices the Group recognised general administrative expenses of MRUB 698 (during the six month period ended 30 June 2014: MRUB 370).

10. Income tax benefit/(expense)

	6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2015 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)
Current tax expense	(464)	(369)	(234)	(49)
Current tax overprovided in previous periods	(120)	-	(120)	-
Deferred tax benefit	2,569	1,116	888	31
	1,985	747	534	(18)

Reconciliation of effective tax rate

	6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2015 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)
Loss before tax	(10,824)	(4,765)	(3,725)	(729)
Income tax using the applicable tax rate (20%)	2,165	953	745	146
Dividends from Bank Home Credit (SB JSC)	(94)	(132)	-	(132)
Non-taxable income/(Net non-deductible costs)	22	(88)	(93)	(32)
Income taxed at lower tax rates	12	14	2	-
Current tax overprovided in previous periods	(120)	-	(120)	-
	1,985	747	534	(18)

10. Income tax benefit/(expense) (continued)

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

	6 month period ended 30 Jun 2015 (Unaudited)			6 month period ended 30 Jun 2014 (Unaudited)			3 month period ended 30 Jun 2015 (Unaudited)			3 month period ended 30 Jun 2014 (Unaudited)		
	Amount before tax	Tax benefit / (expense)	Amount net of tax	Amount before tax	Tax benefit/ (expense)	Amount net of tax	Amount before tax	Tax benefit/ (expense)	Amount net of tax	Amount before tax	Tax benefit	Amount net of tax
MRUB												
Net change in fair value of financial assets available for sale	220	(44)	176	(28)	6	(22)	34	(7)	27	(10)	2	(8)
Cash flow hedge reserve	(513)	103	(410)	336	(67)	269	(273)	55	(218)	(70)	14	(56)
	(293)	59	(234)	308	(61)	247	(239)	48	(191)	(80)	16	(64)

11. Cash and cash equivalents

	30 June 2015	31 Dec 2014
	MRUB	MRUB
	(Unaudited)	
Placements with banks and other financial institutions due within one month	14,862	8,296
Amounts receivable under reverse repurchase agreements	8,918	-
Cash	5,644	16,382
Nostro accounts with the CBR	2,489	5,184
Nostro accounts with the NBRK	1,291	-
Placements with the CBR	-	4,000
	33,204	33,862

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

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

12. Placements with banks and other financial institutions

	30 June 2015	31 Dec 2014
	MRUB	MRUB
	(Unaudited)	
Term deposits with banks and other financial institutions due after one month	6,021	11,640
Minimum reserve deposit with the CBR	1,930	1,988
Placements with MasterCard and VISA	1,270	1,314
Minimum reserve deposit with the NBRK	233	430
	9,454	15,372

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

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

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

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

13. Loans to customers

	30 June 2015	31 Dec 2014
	MRUB	MRUB
	(Unaudited)	
Cash loans	145,552	177,523
POS loans	50,386	63,636
Credit card loans	39,837	46,420
Mortgage loans	4,454	4,991
Car loans	28	42
Loans to corporations	3,326	51
Impairment allowance	(39,829)	(47,884)
	203,754	244,779

As at 30 June 2015 Cash loans receivables shown above included loans with a gross value of MRUB 81,619 originated under new underwriting criteria since 1 September 2013 (31 December 2014: MRUB 83,991).

The Group provides point-of-sale loans ("POS loans") for any purpose including household goods, services and other purposes. Credit cards are generally issued for 3 years and have an average credit limit of TRUB 67 and require a minimum monthly payment of 5% of the outstanding credit balance on the respective credit card (31 December 2014: 3 years and TRUB 62 respectively and a minimum monthly payment of 5% of the outstanding credit balance). As at 30 June 2015 the average loan-to-value ratio for mortgage loans was 59% (31 December 2014: 60%).

As at 30 June 2015 loans to corporations included secured loans with the total carrying amount of MRUB 2,800 pledged with mortgages of MRUB 5,600 and loan-to-value ratio of 50%.

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

	30 June 2015		31 December 2014	
	(Unaudited)			
	Size	Term	Size	Term
	TRUB	Months	TRUB	Months
Cash loans	187.3	42	181.2	39
POS loans	38.9	20	40.2	20

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

	30 June 2015		31 December 2014	
	(Unaudited)			
	Provision		Provision	
	NPLs	coverage	NPLs	coverage
	MRUB	%	MRUB	%
Cash loans	22,478	112	30,040	107
POS loans	4,815	113	5,727	108
Credit card loans	8,980	98	9,465	98
Mortgage loans	469	81	276	112
Car loans	8	100	11	100
Total	36,750	108	45,519	105

Non-performing loans are defined by the Group as loans and receivables overdue for more than 90 days. Loans and receivables, except for mortgage and car loans, overdue for more than 360 days are written off. Mortgage and car loans and receivables overdue over 720 days are written off. Some of the loans written off can be subsequently sold. During the six month period ended 30 June 2015 the Group sold non-performing loans with a gross value including penalties of MRUB 16,553 for MRUB 182 (six month period ended 30 June 2014: gross value including penalties of MRUB 12,516 for MRUB 1,065).

13. Loans to customers (continued)

During the six-month period ended 30 June 2015 the Group sold performing cash and POS loans to related parties with the gross value of MRUB 2,216 for MRUB 2,411. The gain of MRUB 195 is recognised in other operating income, net (six month period ended 30 June 2014: performing cash and POS loans with the gross value of MRUB 14,280 for MRUB 14,361, with a gain of MRUB 81) (Note 7).

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

At the end of 2014 the Group launched loan restructuring aimed at managing customer relationships and maximising collection opportunities. For impairment assessment purposes, such renegotiated loans are kept in the same category of assets as at the date of restructuring unless within a defined period of time the borrowers fail to comply with the renegotiated terms or instead prove their performance under new conditions in which case they are treated as non-delinquent. As at 30 June 2015 renegotiated loans to retail customers of MRUB 3,697 were part of the loan portfolio (31 December 2014: none).

Changes in collection estimates could affect the impairment losses recognised. For example, to the extent that estimated future cash flows of loans differ by plus/minus one percent, the loan impairment allowance as at 30 June 2015 would be MRUB 2,038 lower/higher (31 December 2014: MRUB 2,448).

As at 30 June 2015 cash loans receivables with the total carrying amount of MRUB 6,236 (31 December 2014: MRUB 6,226) were sold to Eurasia Structured Finance No.3 B.V. and served as collateral in relation to the notes issued by the HC Finance (LLC) as a part of cash loan securitisation transaction (refer to Note 18). Eurasia Structured Finance No.3 B.V. cannot sell or repledge these cash loan receivables (unless the enforcement event contemplated by the relevant documentation occurs) to other parties save for the obligation of the Bank to repurchase ineligible receivables.

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

Analysis of movements in impairment allowance

Movements in the loan impairment allowance by classes of loans to customers for the six-month period ended 30 June 2015 were as follows:

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Loans to corporations	Total
Balance at							
1 January	32,133	6,198	9,234	308	11	-	47,884
Net charge	13,567	2,835	5,724	121	-	-	22,247
Loans recovered and sold which previously were written off	924	293	351	9	2	-	1,579
Write offs	(21,255)	(3,819)	(6,485)	(59)	(5)	-	(31,623)
Effect of foreign currency translation	(199)	(57)	(2)	-	-	-	(258)
Balance at 30 June (unaudited)	25,170	5,450	8,822	379	8	-	39,829

Net charge of impairment allowance for Cash loans of MRUB 13,567 shown above includes MRUB 5,336 on loans originated under new conditions since 1 September 2013.

13. Loans to customers (continued)

Movements in the loan impairment allowance by classes of loans to customers for the six-month period ended 30 June 2014 were as follows:

MRUB	Cash loans	POS loans	Credit card loans	Mortgage loans	Car loans	Loans to corporations	Total
Balance at 1 January	33,286	7,433	4,968	141	19	18	45,865
Net charge/(recovery)	17,610	3,567	5,784	(67)	(7)	5	26,892
Loans recovered and sold which previously were written off	1,101	558	187	79	8	-	1,933
Write offs	(15,126)	(4,103)	(3,025)	(5)	(6)	-	(22,265)
Effect of foreign currency translation	(340)	(91)	(3)	-	-	-	(434)
Balance at 30 June (unaudited)	36,531	7,364	7,911	148	14	23	51,991

Net charge of impairment allowance for Cash loans of MRUB 17,610 shown above includes MRUB 2,699 on loans originated under new conditions since 1 September 2013.

14. Positive fair value of derivative instruments

	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Hedging derivative instruments	7,395	8,987
Trading derivative instruments	341	583
	7,736	9,570

15. Financial assets available for sale

	Note	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Quoted debt securities			
Unpledged		23,736	10,578
Pledged as collateral under sale and repurchase agreements	20	-	7,542
		23,736	18,120

16. Property, equipment and intangible assets

(a) Intangible assets

	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Cost	6,093	5,296
Accumulated amortisation	<u>(3,017)</u>	<u>(2,394)</u>
Net book value	<u>3,076</u>	<u>2,902</u>

(b) Property and equipment

	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Cost	13,315	15,102
Accumulated depreciation	(6,217)	(6,528)
Impairment losses	<u>(240)</u>	<u>(242)</u>
Net book value	<u>6,858</u>	<u>8,332</u>

Movements in the impairment allowance were as follows:

	2015 MRUB	2014 MRUB
Balance at 1 January	(242)	(193)
Impairment losses	(240)	(445)
Amounts related to offices closed	<u>242</u>	<u>193</u>
Balance at 30 June (unaudited)	<u>(240)</u>	<u>(445)</u>

17. Other assets

	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Settlements with suppliers	625	941
Taxes other than income tax	281	595
Prepaid expenses	102	137
Accrued income	-	17
Other	271	206
Impairment allowance	<u>(3)</u>	<u>(2)</u>
	<u>1,276</u>	<u>1,894</u>

18. Debt securities issued

			30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Unsecured RUB bond issue 7 of MRUB 5,000	April 2015	9.75%	-	5,092
Stock exchange RUB bond issue 02 of MRUB 3,000	February 2016	Fixed, 9.40%	3,023	3,020
Cash loan receivables backed notes of MRUB 5,000	November 2021/ November 2016*	8.25%	4,775	4,966
Unsecured KZT bond issue 1 of MKZT 7,000	November 2016	Fixed, 8.50%	2,077	2,134
Unsecured KZT bond issue 2 of MKZT 6,769	February 2019	Fixed, 9.50%	2,047	2,111
			11,922	17,323

* Early redemption option date

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

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

In November 2013 the Group issued the RUB denominated cash loan receivables backed notes through HC Finance (LLC) with a fixed coupon rate which is valid until the coupon payment date on 19 January 2017 and capped floating coupon rate from 20 January 2017 till the final maturity. The proceeds from the issue were used to grant an unsecured loan to Eurasia Structured Finance No. 3 B.V. This loan was used to obtain cash loan receivables from the Bank (Note 13). The Bank issued the public offer to purchase the outstanding securitisation bonds on 27 November 2016. As at 30 June 2015 the Group bought back cash loan receivables backed notes with a cumulative par value of MRUB 201 with result recognised in other operating income, net (Note 7).

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

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

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

19. Subordinated debt

	Maturity	Coupon rate	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Loan participation notes issue of MUSD 500	April 2020/ April 2018*	Fixed, 9.38%	12,918	25,608
Loan participation notes issue of MUSD 200	April 2021/ April 2019*	Fixed, 10.50%	11,303	11,454
Subordinated borrowings from the parent, MKZT 640	December 2016/ January 2015*	16.00%	-	197
			24,221	37,259

* Early redemption option date / Repayment date

In October 2012 the Group issued MUSD 500 of subordinated seven and a half year loan participation notes at the fixed rate of 9.38% through Eurasia Capital S.A. The terms of the loan agreement include the call option executable on 24 April 2018 ("the reset date"). After the reset date the interest rate is determined as two year US treasuries rate + 862.4 b.p. The proceeds from the issue were used to grant a subordinated loan to the Bank. In November 2012 the issue was registered with the CBR. As at 30 June 2015 the Group bought back the loan participation notes with a cumulative par value of MUSD 271 with result recognised in other operating income, net (Note 7).

In October 2013 the Group issued MUSD 200 of Basel III compliant tier 2 seven and a half year loan participation notes at the fixed rate of 10.50% through Eurasia Capital S.A. The proceeds from the issue were used to grant a subordinated loan to the Bank. The terms of the loan agreement include the call option executable on 17 April 2019 ("the reset date"). After the reset date the interest rate is determined as two year US treasuries rate + 903 b.p. In November 2013 the issue was registered with the CBR.

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

20. Due to banks and other financial institutions

	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Unsecured loans	12,953	31,633
Secured loans	-	6,973
Other balances	329	190
	13,282	38,796

As at 31 December 2014 the Group pledged and transferred financial assets available for sale with carrying amount of MRUB 7,542 (Note 15) as collateral for secured loans that had recourse only to the transferred assets. These financial assets might be repledged or resold by counterparties in the absence of any default by the Group, but the counterparty had an obligation to return the securities when the contract matures. The Group determined that it retained substantially all the risks and rewards related to these securities and therefore did not derecognise them. The fair value of the transferred assets available for sale and related secured loans was equal to their carrying amount and net position was MRUB 569.

21. Current accounts and deposits from customers

	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Retail		
Term deposits	167,012	151,559
Current accounts and demand deposits	<u>24,807</u>	<u>19,341</u>
	<u>191,819</u>	<u>170,900</u>
Corporate		
Term deposits	6,567	16,095
Current accounts and demand deposits	<u>483</u>	<u>268</u>
	<u>7,050</u>	<u>16,363</u>
	<u>198,869</u>	<u>187,263</u>

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

22. Negative fair value of derivative instruments

	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Trading derivative instruments	<u>8</u>	<u>163</u>
	<u>8</u>	<u>163</u>

23. Other liabilities

	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Accrued employee compensation	1,511	1,369
Settlements with suppliers	1,477	2,109
Other taxes payable	492	833
Provision for litigations	193	186
Accrued payments to the Deposits Insurance Agency	184	177
Provision for restructuring	54	98
Other	<u>200</u>	<u>479</u>
	<u>4,111</u>	<u>5,251</u>

Movements in the provision for litigations were as follows:

	2015 MRUB	2014 MRUB
Balance at 1 January	186	154
Net charge	53	128
Amounts paid	<u>(46)</u>	<u>(112)</u>
Balance at 30 June (unaudited)	<u>193</u>	<u>170</u>

23. Other liabilities (continued)

Movements in the provision for restructuring were as follows:

	2015	2014
	MRUB	MRUB
Balance at 1 January	98	99
Net charge	54	174
Amounts related to offices closed	<u>(98)</u>	<u>(99)</u>
Balance at 30 June (unaudited)	<u>54</u>	<u>174</u>

24. Financial instruments

The following table shows assets and liabilities as at 30 June 2015 and 31 December 2014 by remaining contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the statement of financial position amount is based on discounted cash flows. Under Russian law, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. The management believes that the majority of deposits will be withdrawn in accordance with their contractual maturity dates as presented in the table below.

MRUB	30 June 2015 (Unaudited)							31 December 2014						
	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	33,209	-	-	-	-	-	33,209	33,887	-	-	-	-	-	33,887
Placements with banks and other financial institutions	-	-	1,714	4,706	-	3,433	9,853	-	-	7,522	4,933	-	3,732	16,187
Loans to customers	21,056	43,514	131,562	114,907	2,219	-	313,258	24,066	48,395	144,428	111,365	1,945	-	330,199
Positive fair value of derivative instruments	(7)	689	7,119	88	-	-	7,889	(9)	13	3,994	5,993	-	-	9,991
Financial assets available for sale	7,323	2,881	14,732	-	-	-	24,936	985	14,042	3,260	-	-	-	18,287
Property, equipment and intangible assets	-	-	-	-	-	9,934	9,934	-	-	-	-	-	11,234	11,234
Assets classified as held for sale	-	-	191	-	-	-	191	-	-	390	-	-	-	390
Investment in associate	-	-	-	-	-	56	56	-	-	-	-	-	154	154
Deferred tax asset	-	-	-	-	-	5,216	5,216	-	-	-	-	1,921	621	2,542
Current income tax receivable	-	-	365	-	-	-	365	-	-	823	-	-	-	823
Other assets	155	118	964	39	-	-	1,276	221	155	1,482	36	-	-	1,894
Total assets	61,736	47,202	156,647	119,740	2,219	18,639	406,183	59,150	62,605	161,899	122,327	3,866	15,741	425,588
Liabilities														
Debt securities issued	33	232	3,716	9,661	-	-	13,642	156	239	5,927	13,481	-	-	19,803
Subordinated debt	-	-	2,360	29,722	-	-	32,082	3	5	3,573	46,780	-	-	50,361
Due to banks and other financial institutions	4,161	1,458	7,621	437	-	-	13,677	12,364	16,802	9,195	614	-	-	38,975
Current accounts and deposits from customers	50,697	27,245	126,489	5,444	-	-	209,875	35,366	42,888	96,383	22,940	-	-	197,577
Negative fair value of derivative instruments	-	-	9	-	-	-	9	132	33	-	-	-	-	165
Deferred tax liability	-	-	-	-	-	78	78	-	-	-	-	-	37	37
Other liabilities	2,665	964	482	-	-	-	4,111	3,201	1,082	968	-	-	-	5,251
Total liabilities	57,556	29,899	140,677	45,264	-	78	273,474	51,222	61,049	116,046	83,815	-	37	312,169
Net balance position	4,180	17,303	15,970	74,476	2,219	18,561	132,709	7,928	1,556	45,853	38,512	3,866	15,704	113,419
Irrevocable credit related commitments	2,337	-	8,050	-	-	-	10,387	2,237	-	1,038	7	-	-	3,282
Financial guarantees	-	-	-	-	-	-	-	-	2,000	10,700	600	-	-	13,300
Net off-balance position	2,337	-	8,050	-	-	-	10,387	2,237	2,000	11,738	607	-	-	16,582
Cumulative net position	1,843	19,146	27,066	101,542	103,761	122,322		5,691	5,247	39,362	77,267	81,133	96,837	

24. Financial instruments (continued)

Fair value of financial instruments

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

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

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

- The estimation of the fair value of debt securities issued was made by using market quotes in the range of 93.5-97.5% from notional amount for debt securities issued in RUB
- The estimation of the fair value of subordinated debt was made by using market quotes in the range of 93.1-93.3% from notional amount for subordinated debt issued in USD.

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

- The estimation of the fair value of POS, cash and credit card loans was made by using discounting future cash flows at discount rates of 33.0%. The estimation of the fair value of mortgage loans was made by using discounting future cash flows at discount rates of 14%
- 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 13.2% in RUB, 5.5% in USD
- The estimation of the fair value of debt securities issued was made by using discounting future cash flows at discount rates of 10.5-11.0% in KZT
- The estimation of the fair value of due to banks and other financial institutions was made by using discounting future cash flows at discount rates of 12.0% in RUB and 15.2% in KZT
- The estimation of the fair value of current accounts and deposits from customers was made by using discounting future cash flows at discount rates of 15.3% in RUB, 3.9% in USD, 3.8% in EUR and 8.9% in KZT
- The Group uses valuation models for determining the fair value of financial instruments at fair value through profit or loss based on FX spot rates as set by the CBR, benchmark interest rates and other inputs.

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

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

24. Financial instruments (continued)

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

Specific controls include:

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

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

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

Significant valuation issues are reported to the Board of Management.

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement was categorised as at 30 June 2015:

MRUB	Carrying amount	Fair value (Unaudited)			
	(Unaudited)	Level 1	Level 2	Level 3	Total
Assets					
Loans to customers	203,754	-	-	202,644	202,644
Liabilities					
Debt securities issued	11,922	7,411	4,082	-	11,493
Subordinated debt	24,221	22,596	-	-	22,596
Current accounts and deposits from customers	198,869	-	198,086	-	198,086

24. Financial instruments (continued)

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement was categorised as at 31 December 2014:

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

The estimates of fair values of financial assets other than loans to customers and financial liabilities other than debt securities issued, subordinated debt and current accounts and deposits from customers as at 30 June 2015 and 31 December 2014 are not materially different from their carrying values.

The table below analyses financial instruments measured at fair value as at 30 June 2015, by the level in the fair value hierarchy into which the fair value measurement was categorised:

MRUB	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivative instruments	-	7,645	91	7,736
Financial assets available for sale	23,736	-	-	23,736
Liabilities				
Negative fair value of derivative instruments	-	8	-	8

The following table shows a reconciliation for the six month period ended 30 June 2015 for fair value measurements in Level 3 of the fair value hierarchy (six month period ended 30 June 2014: none):

MRUB	Trading derivative instruments
Balance at the beginning of the period	90
Revaluation during the period, recognised in profit and loss	1
Balance at the end of the period (Unaudited)	91

24. Financial instruments (continued)

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

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

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

	30 Jun 2015	31 Dec 2014
	MRUB	MRUB
	(Unaudited)	
Effect on profit or loss		
Favourable	5	13
Unfavourable	(5)	(5)

25. Commitments

Credit related commitments

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

	30 Jun 2015	31 Dec 2014
	MRUB	MRUB
	(Unaudited)	
Credit card commitments	16,013	19,581
Undrawn overdraft facilities to corporations	8,050	1,045
POS and cash loan commitments	2,337	2,237
Guarantees provided	-	13,300
	26,400	36,163

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

26. Operating leases

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

Non-cancellable operating lease rentals are payable as follows:

	30 Jun 2015	31 Dec 2014
	MRUB	MRUB
	(Unaudited)	
Less than one year	954	1,687
Between one and five years	1,790	3,319
More than five years	<u>201</u>	<u>315</u>
	<u>2,946</u>	<u>5,321</u>

During the six month period ended 30 June 2015 MRUB 970 (six month period ended 30 June 2014: MRUB 1,775) was recognised as an expense in the condensed consolidated interim statement of profit or loss in respect of operating leases (Note 9).

27. Contingencies

Taxation contingencies

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

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

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

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

28. Related party transactions

(a) Transactions with the parent

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

	6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)
Interest income	510	131
Interest expense	(2)	(9)
Loss from foreign exchange revaluation of financial assets and liabilities	(141)	-
	367	122

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

	30 June 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Placements with banks and other financial institutions	6,020	11,639
Subordinated debt	-	(197)
	6,020	11,442

As at 30 June 2015 placements with banks and other financial institutions shown above included term deposits of MRUB 6,020 at an effective interest rate of 8.63% with a maturity of three months to two years (31 December 2014: MRUB 11,639 at an effective interest rate of 6.9% with a maturity of three months to two years).

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

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

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

	6 month period ended 30 June 2015 MRUB (Unaudited)	6 month period ended 30 June 2014 MRUB (Unaudited)
Interest income	(105)	(174)
Interest expense	(1,205)	(605)
Fee and commission income	475	934
Gain/(loss) from foreign exchange revaluation of financial assets and liabilities	154	(38)
Net (loss)/gain on spot transactions and derivatives	(8)	143
Gain from sale of loans	195	81
Other operating income	(10)	-
General administrative expenses	(570)	(466)
	(1,074)	(125)

28. Related party transactions (continued)

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

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

	30 June 2015	31 Dec 2014
	MRUB	MRUB
	(Unaudited)	
Cash and cash equivalents	41	100
Loans to customers	647	228
Property, equipment and intangible assets	856	788
Other assets	2	43
Debt securities issued	(81)	(81)
Subordinated debt	(9,308)	(7,273)
Due to banks and other financial institutions	(8,769)	(9,186)
Current accounts and deposits from customers	(223)	(9,995)
Negative fair value of derivative instruments	(8)	-
Other liabilities	(321)	(210)
	<u>(17,164)</u>	<u>(25,586)</u>

As at 30 June 2015 loans to customers shown above included loan origination agent fees paid of MRUB 147 which formed an integral part of loans to customers and were to be amortised within 15 months and loans to corporations of MRUB 500 at an effective interest rate of 18.25% with a maturity of less than one month (31 December 2014: loan origination agent fees paid of MRUB 228; loans to corporations: none).

The effective interest rate on debt securities issued shown above was 9.4% and a maturity was one month to two years as at 30 June 2015 (31 December 2014: 9.7% and one month to two years respectively).

As at 30 June 2015 due to banks and other financial institutions included term deposits with the effective interest rate of 10.49% and a maturity from one month to two years (31 December 2014: 9.5% with a maturity from one month to five years).

As at 30 June 2015 current accounts and deposits from customers included deposits of MRUB 188 at an effective interest rate of 8.0% with a maturity from one month to three months and other balances of MRUB 35 with a maturity of less than one month (31 December 2014: a deposit of MRUB 9,861 at an effective interest rate of 21.4% with a maturity from one month to three months and other balances of MRUB 134 with a maturity of less than one month).

As at 30 June 2015 the effective interest rate on subordinated debt shown above was 9.7% and a maturity from three months to five years (31 December 2014: 9.9% with a maturity from three months to five years).

(c) Transactions with members of key management

Amounts included in the condensed consolidated interim 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 177 (six month period ended 30 June 2014: MRUB 215) represent compensation for the period.

29. Capital management

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

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. Starting from 1 January 2014 the Group calculates the amount of capital and capital adequacy ratios for prudential purposes in accordance with the Provision of the CBR dated 28 December 2012 No 395-P *On methodology of calculation of own funds (capital) of the credit organisations (Basel III)*. As at 30 June 2015, this minimum levels of core capital, primary capital and total capital to risk weighted assets were 5.0%, 6.0% and 10.0% respectively (31 December 2014: 5.0%, 5.5% and 10.0% respectively).

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

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

The calculation of capital adequacy of the Group based on requirements set by the CBR as at 30 June 2015 and 31 December 2014 was as follows:

	30 Jun 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Risk-weighted assets	467,800	485,221
Core capital	37,171	47,494
Primary capital	37,171	47,494
Additional capital	22,587	26,242
Total capital	59,758	73,736
Core capital adequacy ratio N20.1	7.9%	9.8%
Primary capital adequacy ratio N20.2	7.9%	9.8%
Total capital adequacy ratio N20.0	12.8%	15.2%

The Group also calculates its capital adequacy in compliance with the methodology set out by the Bank of International Settlements (BIS). Tier I capital is represented by equity. Tier II capital is represented by subordinated debt up to 50% of tier I.

29. Capital management (continued)

The calculation of capital adequacy based on requirements set by BIS as at 30 June 2015 and 31 December 2014 was as follows:

	30 Jun 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Risk weighted assets	<u>277,456</u>	<u>308,878</u>
Tier I capital	42,431	52,648
Tier II capital	<u>17,713</u>	<u>22,763</u>
Total capital	<u>60,144</u>	<u>75,411</u>
Tier I ratio	15.3%	17.0%
Capital Adequacy Ratio	21.7%	24.4%

As at 30 June 2015 and 31 December 2014 and during the reporting period the Group was fully in compliance with the capital regulations described above.

30. Segment analysis

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

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

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

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

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

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

30. Segment analysis (continued)

(a) Operational segments

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
6 month period ended 30 June 2015 (Unaudited)					
External interest income	4,413	5,562	19,710	2,725	32,410
Fee and commission income	2,522	1,552	2,851	342	7,267
Inter segment revenue	-	-	-	13,649	13,649
Total revenues	6,935	7,114	22,561	16,716	53,326
External interest expense	-	-	-	(16,873)	(16,873)
Inter segment interest expense	(1,908)	(1,796)	(10,702)	-	(14,406)
Inter segment other operating income, net	95	100	562	-	757
Fee and commission expense	(48)	(435)	(227)	(33)	(743)
Other operating income, net	159	-	97	1,529	1,785
Impairment losses	(2,835)	(5,724)	(13,567)	(121)	(22,247)
Total expenses	(4,537)	(7,855)	(23,837)	(15,498)	(51,727)
Segment profit/(loss)	2,398	(741)	(1,276)	1,218	1,599
6 month period ended 30 June 2014 (Unaudited)					
External interest income	4,968	6,468	27,354	971	39,761
Fee and commission income	2,385	2,106	5,429	393	10,313
Inter segment revenue	-	-	-	10,377	10,377
Total revenues	7,353	8,574	32,783	11,741	60,451
External interest expense	-	-	-	(12,710)	(12,710)
Inter segment interest expense	(1,451)	(1,077)	(8,110)	-	(10,638)
Inter segment other operating income, net	35	28	198	-	261
Fee and commission expense	(90)	(635)	(77)	(21)	(823)
Other operating income, net	(110)	-	223	284	397
Impairment losses	(3,567)	(5,784)	(17,610)	69	(26,892)
Total expenses	(5,183)	(7,468)	(25,376)	(12,378)	(50,405)
Segment profit/(loss)	2,170	1,106	7,407	(637)	10,046

30. Segment analysis (continued)

Segment assets

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
Carrying amount at 30 June 2015 (Unaudited)	44,936	31,015	120,382	67,118	263,451
Carrying amount at 31 December 2014	57,438	37,186	145,390	51,683	291,697

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

	6 month period ended 30 Jun 2015 MRUB (Unaudited)	6 month period ended 30 Jun 2014 MRUB (Unaudited)
Segment revenues	53,326	60,451
Inter segment revenue	(13,649)	(10,377)
Unallocated fee and comission income	143	133
Total revenues	39,820	50,207

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

	6 month period ended 30 Jun 2015 MRUB (Unaudited)	6 month period ended 30 Jun 2014 MRUB (Unaudited)
Segment profit for reportable segments	1,599	10,046
Unallocated fee and comission income	143	133
Unallocated fee and comission expense	(707)	(630)
Unallocated other operating income	(495)	45
Unallocated impairment losses	(240)	(447)
General administrative expenses	(11,124)	(13,912)
Loss before tax	(10,824)	(4,765)

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

	30 Jun 2015 MRUB (Unaudited)	31 Dec 2014 MRUB
Total segment assets	263,451	291,697
Cash and cash equivalents (excluded from other segments)	12,270	27,588
Placements with banks and other financial institutions (excluded from other segments)	2,163	2,418
Property, equipment and intangible assets	9,934	11,234
Assets classified as held for sale	191	390
Investment in associate	56	154
Income tax assets	5,581	3,365
Other assets	1,276	1,894
Total assets	294,922	338,740

30. Segment analysis (continued)

(b) Geographical segments

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
6 month period ended				
30 June 2015				
(Unaudited)				
External interest income	27,454	4,956	-	32,410
Fee and commission income	4,891	2,519	-	7,410
Inter segment revenue	89	-	(89)	-
Total revenues	32,434	7,475	(89)	39,820
External interest expense	(15,943)	(930)	-	(16,873)
Inter segment interest expense	-	(89)	89	-
Inter segment other operating income/(expense), net	216	(47)	-	169
Fee and commission expense	(1,336)	(114)	-	(1,450)
Other operating income, net	2,448	(382)	(945)	1,121
Impairment losses	(20,490)	(1,997)	-	(22,487)
General administrative expenses	(8,814)	(2,310)	-	(11,124)
Total expenses	(43,919)	(5,869)	(856)	(50,644)
(Loss)/profit before tax	(11,485)	1,606	(945)	(10,824)
Income tax benefit/(expense)	2,500	(515)	-	1,985
(Loss)/profit for the period	(8,985)	1,091	(945)	(8,839)

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
6 month period ended				
30 June 2014				
(Unaudited)				
External interest income	36,462	3,299	-	39,761
Fee and commission income	9,099	1,347	-	10,446
Inter segment revenue	140	-	(140)	-
Total revenues	45,701	4,646	(140)	50,207
External interest expense	(12,008)	(702)	-	(12,710)
Inter segment interest expense	-	(140)	140	-
Inter segment other operating income/(expense), net	(296)	-	-	(296)
Fee and commission expense	(1,357)	(96)	-	(1,453)
Other operating income, net	1,960	87	(1,309)	738
Impairment losses	(25,851)	(1,488)	-	(27,339)
General administrative expenses	(12,341)	(1,571)	-	(13,912)
Total expenses	(49,893)	(3,910)	(1,169)	(54,972)
(Loss)/Profit before tax	(4,192)	736	(1,309)	(4,765)
Income tax benefit/(expense)	908	(161)	-	747
(Loss)/Profit for the period	(3,284)	575	(1,309)	(4,018)

30. Segment analysis (continued)

Segment assets

MRUB

Carrying amount at
30 June 2015 (Unaudited)

Carrying amount at
31 December 2014

	Russian Federation	Kazakhstan	Eliminations	Total
Carrying amount at 30 June 2015 (Unaudited)	263,954	32,744	(1,776)	294,922
Carrying amount at 31 December 2014	308,758	34,417	(4,435)	338,740

Acting Chairman

D. Mosolov



Chief Financial Officer

I. Kolikova