

Home Credit and Finance Bank

**Condensed Consolidated Interim Financial Statements
for the six month period ended 30 June 2013**

(unaudited)

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

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

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OOO "Home Credit and Finance Bank" and its subsidiaries (the "Group") as at 30 June 2013, and the related consolidated interim condensed statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the consolidated interim condensed financial information (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim condensed 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 consolidated interim condensed 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 consolidated interim condensed financial information of the Group as at 30 June 2013 and for the six-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Shevarenkov E. V.

Deputy director

power of attorney No. 43/12 dated 12 October 2012

licence No. 01-000769

ZAO KPMG

Moscow, Russian Federation

4 September 2013



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.

Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Profit or Loss
for the six month period ended 30 June 2013

		6 month period ended 30 Jun 2013	6 month period ended 30 Jun 2012	3 month period ended 30 Jun 2013	3 month period ended 30 Jun 2012
		MRUB	MRUB	MRUB	MRUB
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	4	43,042	21,001	22,980	11,471
Interest expense	4	(13,347)	(6,091)	(7,137)	(3,350)
Net interest income		29,695	14,910	15,843	8,121
Fee and commission income	5	15,342	9,355	9,036	5,735
Fee and commission expense	6	(1,200)	(436)	(573)	(246)
Net fee and commission income		14,142	8,919	8,463	5,489
Other operating income/(expense), net	7	863	(106)	353	71
Operating income		44,700	23,723	24,659	13,681
Impairment losses	8	(21,975)	(7,563)	(12,436)	(4,380)
General administrative expenses	9	(13,022)	(8,159)	(6,943)	(4,304)
Operating expenses		(34,997)	(15,722)	(19,379)	(8,684)
Profit before tax		9,703	8,001	5,280	4,997
Income tax expense	10	(2,163)	(1,652)	(1,193)	(1,025)
Profit for the period		7,540	6,349	4,087	3,972
Profit for the period attributable to equity holders of the Group		7,540	6,349	4,087	3,972

The condensed consolidated interim financial statements as set out on pages 4 to 33 were approved by the Board of Management on 4 September 2013.

First Deputy 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 Other Comprehensive Income
for the six month period ended 30 June 2013

	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)	3 month period ended 30 Jun 2013 MRUB (Unaudited)	3 month period ended 30 Jun 2012 MRUB (Unaudited)
Profit for the period, recognised in consolidated statement of profit or loss	<u>7,540</u>	<u>6,349</u>	<u>4,087</u>	<u>3,972</u>
Other comprehensive income/(expense), which will 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	(80)	(122)	7	(99)
- net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	50	64	27	69
Cash flow hedge reserve, net of tax - effective portion of changes in fair value	74	-	36	-
Effect of foreign currency translation	<u>355</u>	<u>-</u>	<u>260</u>	<u>-</u>
Other comprehensive income/(expense) for the period, net of tax	<u>399</u>	<u>(58)</u>	<u>330</u>	<u>(30)</u>
Total comprehensive income for the period	<u>7,939</u>	<u>6,291</u>	<u>4,417</u>	<u>3,942</u>
Total comprehensive income for the period attributable to equity holders of the Group	<u>7,939</u>	<u>6,291</u>	<u>4,417</u>	<u>3,942</u>

First Deputy Chairman

D. Moselov



Chief Financial Officer

I. Kolikova

The condensed consolidated interim statement of other comprehensive income 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 Financial Position
as at 30 June 2013

		30 Jun 2013	31 Dec 2012
		MRUB	MRUB
ASSETS	Note	(Unaudited)	
Cash and cash equivalents	11	53,315	51,998
Placements with banks and other financial institutions	12	5,024	4,016
Loans to customers	13	285,661	237,316
Financial assets at fair value through profit or loss	14	1,672	267
Financial assets available for sale	15	33,661	28,291
Property, equipment and intangible assets	16	11,241	10,743
Assets held for sale		283	-
Investment in associate		86	102
Deferred tax asset		676	346
Other assets	17	<u>2,552</u>	<u>4,737</u>
Total assets		<u>394,171</u>	<u>337,816</u>
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	18	33,915	36,743
Subordinated debt	19	16,650	15,444
Due to banks and other financial institutions	20	43,550	51,815
Current accounts and deposits from customers	21	236,974	174,289
Financial liabilities at fair value through profit or loss	22	1,063	439
Current income tax payable		583	660
Deferred tax liability		25	17
Other liabilities	23	<u>6,340</u>	<u>7,075</u>
Total liabilities		<u>339,100</u>	<u>286,482</u>
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for financial assets available for sale		(9)	21
Cash flow hedge reserve		35	(39)
Translation reserve		355	-
Retained earnings		<u>39,653</u>	<u>31,804</u>
Total equity attributable to equity holders of the Group		<u>55,071</u>	<u>46,823</u>
Non-controlling interest		<u>-</u>	<u>4,511</u>
Total equity		<u>55,071</u>	<u>51,334</u>
Total liabilities and equity		<u>394,171</u>	<u>337,816</u>

First Deputy Chairman

D. Mosolov



Chief Financial Officer

I. Kolikova

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

Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Changes in Equity
for the six month period ended 30 June 2013

MRUB	Attributable to equity holders of the Group						Total	Non-control-ling interest	Total equity
	Charter capital	Other capital contributions	Revaluation reserve for financial assets available for sale	Cash flow hedge reserve	Transla-tion reserve	Retained earnings			
Balance at 1 January 2012	4,406	10,631	(38)	-	-	15,548	30,547	-	30,547
Profit for the period	-	-	-	-	-	6,349	6,349	-	6,349
Net change in fair value of financial assets available for sale, net of tax	-	-	(122)	-	-	-	(122)	-	(122)
Net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	-	-	64	-	-	-	64	-	64
Total comprehensive income for the period	-	-	(58)	-	-	6,349	6,291	-	6,291
Dividends paid	-	-	-	-	-	(2,800)	(2,800)	-	(2,800)
Balance at 30 June 2012	4,406	10,631	(96)	-	-	19,097	34,038	-	34,038
 Balance at 1 January 2013	 4,406	 10,631	 21	 (39)	 -	 31,804	 46,823	 4,511	 51,334
Profit for the period	-	-	-	-	-	7,540	7,540	-	7,540
Net change in fair value of financial assets available for sale, net of tax	-	-	(80)	-	-	-	(80)	-	(80)
Net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	-	-	50	-	-	-	50	-	50
Change in cash flow hedge reserve, net of tax	-	-	-	74	-	-	74	-	74
Effect of foreign currency translation	-	-	-	-	355	-	355	-	355
Total comprehensive income for the period	-	-	(30)	74	355	7,540	7,939	-	7,939
Dividends paid	-	-	-	-	-	(2,421)	(2,421)	-	(2,421)
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 30 June 2013	4,406	10,631	(9)	35	355	39,653	55,071	-	55,071

First Deputy Chairman

D. Mosolov

Chief Financial Officer

I. Kolikova

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

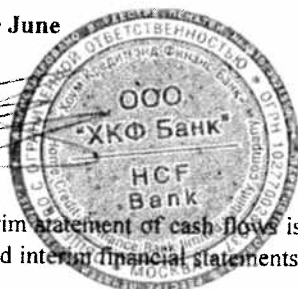


Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Cash Flows
for the six month period ended 30 June 2013

	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)
Cash flow from operating activities		
Interest received	42,166	21,380
Interest paid	(11,353)	(4,149)
Fees and commissions received	14,537	10,386
Fees and commissions paid	(1,203)	(436)
Net receipts/(payments) from foreign exchange transactions	1,188	(264)
Other operating income received	65	60
General administrative expenses paid	(12,856)	(7,497)
Income tax paid	(2,588)	(1,094)
Cash flows from operating activities before changes in operating assets and liabilities	29,956	18,386
Changes in operating assets and liabilities		
Net increase in placements with banks and other financial institutions	(1,295)	(4,144)
Net increase in financial assets available for sale	(4,855)	(7,055)
Net increase in financial assets at fair value through profit or loss	(836)	-
Net increase in loans and advances to customers	(67,903)	(41,478)
Net decrease/(increase) in other assets	2,750	(1,736)
Net increase in current accounts and deposits from customers	59,872	43,541
Net decrease in due to banks and other financial institutions	(7,455)	(1,679)
Net increase in other liabilities	327	247
Net cash from operating activities	10,561	6,082
Cash flows from investing activities		
Proceeds from sale of interest in associate	128	81
Proceeds from sale of property and equipment	3	-
Acquisition of property, equipment and intangible assets	(1,558)	(1,886)
Acquisition of subsidiary	(1,776)	-
Net cash used in investing activities	(3,203)	(1,805)
Cash flows from financing activities		
Repayments of due to banks	-	(5,807)
Proceeds from the issue of debt securities	2,984	4,043
Repayments of debt securities issued	(6,924)	(6,237)
Dividends paid	(2,421)	(2,800)
Net cash used in financing activities	(6,361)	(10,801)
Net increase/(decrease) in cash and cash equivalents	997	(6,524)
Effect of exchange rate changes on cash and cash equivalents	320	399
Cash and cash equivalents at 1 January	51,998	15,972
Cash and cash equivalents at 30 June	53,315	9,847

First Deputy 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 13th October 2011 the Bank received General Banking Licence #316 from the Central Bank of Russia. 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 (%)	
		30 Jun 2013	31 Dec 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 (%)	
		30 Jun 2013	31 Dec 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	0.00

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

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 Note 18 and 19).

In August 2011 the Group entered into a call option agreement enabling it to purchase a 90.01% stake in Home Credit Bank (JSC, Kazakhstan). The option was exercisable until 31 December 2014, and its exercise was subject to obtaining approvals from regulatory agencies in both Kazakhstan and Russia. On 26 December 2012 the call option became exercisable and the Group obtained control over Home Credit Bank (JSC). The details were disclosed in the Group's consolidated financial statements for the year ended 31 December 2012.

In January 2013 the Bank exercised the 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.

* As at 30 June 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 (%)	
		30 Jun 2013	31 Dec 2012
Equifax Credit Services (LLC)	Russian Federation	25.00	30.72

1. Description of the Group (continued)

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

Principal activities

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

As at 30 June 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, 1,008 standard banking offices, 5,681 loan offices, 103 regional centres, 3 representative offices and over 80 thousand points of sale which cover over 2,000 residential areas in the Russian Federation. As at 30 June 2013 the ATM network comprised 1,261 ATMs and payment terminals across the Russian Federation.

As at 30 June 2013 the distribution network in Kazakhstan comprised 60 standard banking offices, 1,936 loan offices, 1,121 points of sale and over 200 Kazakhstan post offices. As at 30 June 2013 the ATM network of Bank Home Credit (SB JSC) comprised 57 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 period ended 31 December 2012, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

Business environment

The Russian Federation is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. These consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of preparation (continued)

One of subsidiaries of the Bank (Bank Home Credit (SB JSC)) is located in Kazakhstan. Consequently, Bank Home Credit (SB JSC) is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. The interim condensed financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

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 2012, except that new standards have been published, a part of which is obligatory for annual reporting periods beginning on or after 1 January 2013.

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain 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 amendments are effective for annual periods beginning on or after 1 January 2013, and do not have an effect on the condensed consolidated interim financial information.

IFRS 13 *Fair Value Measurement* is effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. Some disclosure requirements are obligatory for financial instruments under the IAS 34 paragraph 16 A(j). The relevant disclosures are presented in Note 24.

IFRS 10 *Consolidated Financial Statements* is effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). The adoption of IFRS 10 did not change the entities consolidated in the Group.

IFRS 11 *Joint Arrangements* is effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 "Interests in Joint Ventures". The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. The adoption of IFRS 11 had no effect on the condensed consolidated interim financial information since the Group is not involved in any joint venture.

3. Significant accounting policies (continued)

IFRS 12 *Disclosure of Interests in Other Entities* is effective for annual periods beginning on or after 1 January 2013. 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. These disclosures are not required for interim financial statements.

IAS 27 *Separate Financial Statements*. This standard was amended and currently it is aimed at setting accounting and disclosure requirements for investments in subsidiaries, joint ventures or associates in the preparation of separate financial statements. Requirements for consolidated financial statement were replaced with IFRS 10 "Consolidated financial statements".

Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2013, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact of these pronouncements on its financial statements.

IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases 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 classification and measurement of financial liabilities was published in October 2010. The Group recognises that the new standard introduces many changes to the 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 is 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.

Various Improvements to IFRSs have been 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.

4. Interest income and interest expense

	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)	3 month period ended 30 Jun 2013 MRUB (Unaudited)	3 month period ended 30 Jun 2012 MRUB (Unaudited)
Interest income				
Loans to individuals	41,497	20,068	22,157	10,972
Financial assets available for sale	1,182	713	649	401
Placements with banks and other financial institutions	237	129	117	77
Amounts receivable under reverse repurchase agreements	116	10	56	3
Financial assets at fair value through profit or loss	8	79	-	17
Loans to corporations	2	2	1	1
	<u>43,042</u>	<u>21,001</u>	<u>22,980</u>	<u>11,471</u>
Interest expense				
Current accounts and deposits from customers	9,697	4,286	5,230	2,494
Debt securities issued	1,450	1,407	701	692
Due to banks and other financial institutions	1,015	340	568	163
Subordinated liabilities	750	-	383	-
Hedging derivative instruments	420	-	252	-
Financial liabilities at fair value through profit or loss	15	58	3	1
	<u>13,347</u>	<u>6,091</u>	<u>7,137</u>	<u>3,350</u>

5. Fee and commission income

	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)	3 month period ended 30 Jun 2013 MRUB (Unaudited)	3 month period ended 30 Jun 2012 MRUB (Unaudited)
Insurance agent commissions	12,490	7,145	7,314	4,510
Cash operations	1,127	889	613	501
Contractual penalties from customers	992	858	681	496
Customer payments processing and account maintenance	318	343	156	167
Fees from retailers	221	113	116	58
Fees from customer contributions to the Pension Fund	125	-	125	-
Other	69	7	31	3
	<u>15,342</u>	<u>9,355</u>	<u>9,036</u>	<u>5,735</u>

6. Fee and commission expense

	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)	3 month period ended 30 Jun 2013 MRUB (Unaudited)	3 month period ended 30 Jun 2012 MRUB (Unaudited)
Cash transactions	557	241	291	133
Payments to the Deposits Insurance Agency	498	116	200	73
Payments processing and account maintenance	108	57	58	27
Other	37	22	24	13
	<u>1,200</u>	<u>436</u>	<u>573</u>	<u>246</u>

7. Other operating income/(expense), net

	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)	3 month period ended 30 Jun 2013 MRUB (Unaudited)	3 month period ended 30 Jun 2012 MRUB (Unaudited)
Gain/(loss) from foreign exchange revaluation of financial assets and liabilities	291	(137)	97	(522)
Net gain from sale of interest in associate	116	69	-	69
Net realised gain on disposal of financial assets available for sale	6	(18)	(25)	(22)
Net (loss)/gain on spot transactions and derivatives	(214)	(3)	(63)	533
Gain from sale of loans (Note 13)	607	-	321	-
Net loss on early redemption of debt securities issued	-	(9)	-	(5)
Loss on early redemption of amounts due to banks and other financial institutions	-	(45)	-	-
Other	57	37	23	18
	<u>863</u>	<u>(106)</u>	<u>353</u>	<u>71</u>

8. Impairment losses

	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)	3 month period ended 30 Jun 2013 MRUB (Unaudited)	3 month period ended 30 Jun 2012 MRUB (Unaudited)
Cash loans	16,111	5,554	9,199	3,308
POS loans	3,816	1,614	2,083	817
Credit card loans	2,024	466	1,116	246
Loans to corporations	24	-	24	-
Mortgage loans	9	(63)	18	14
Car loans	(9)	(8)	(4)	(5)
	<u>21,975</u>	<u>7,563</u>	<u>12,436</u>	<u>4,380</u>

9. General administrative expenses

	Note	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)	3 month period ended 30 Jun 2013 MRUB (Unaudited)	3 month period ended 30 Jun 2012 MRUB (Unaudited)
Employee compensation and other benefits					
Occupancy	26	5,787	3,400	3,132	1,801
Payroll related taxes		1,483	995	785	537
Depreciation and amortisation		1,216	789	610	376
Telecommunication and postage		1,026	558	527	298
Advertising and marketing		825	613	415	330
Repairs and maintenance		575	477	372	243
Professional services		463	268	242	167
Information technology		417	239	209	100
Travel expenses		227	200	116	110
Taxes other than income tax		219	148	135	76
Other		130	67	69	34
		654	405	331	232
		13,022	8,159	6,943	4,304

10. Income tax expense

	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)	3 month period ended 30 Jun 2013 MRUB (Unaudited)	3 month period ended 30 Jun 2012 MRUB (Unaudited)
Current tax expense	2,498	1,676	1,640	1,039
Deferred tax benefit	(335)	(24)	(447)	(14)
	<u>2,163</u>	<u>1,652</u>	<u>1,193</u>	<u>1,025</u>
Reconciliation of effective tax rate				
	6 month period ended 30 Jun 2013 MRUB (Unaudited)	6 month period ended 30 Jun 2012 MRUB (Unaudited)	3 month period ended 30 Jun 2013 MRUB (Unaudited)	3 month period ended 30 Jun 2012 MRUB (Unaudited)
Profit before tax	<u>9,703</u>	<u>8,001</u>	<u>5,280</u>	<u>4,997</u>
Income tax using the applicable tax rate (20%)	1,941	1,600	1,056	999
Net non-deductible costs	233	59	137	26
Income taxed at lower tax rates	(11)	(7)	-	-
	<u>2,163</u>	<u>1,652</u>	<u>1,193</u>	<u>1,025</u>

10. Income tax expense (continued)

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

	6 month period ended 30 Jun 2013 (Unaudited)			6 month period ended 30 Jun 2012 (Unaudited)			3 month period ended 30 Jun 2013 (Unaudited)			3 month period ended 30 Jun 2012 (Unaudited)		
	Amount	Tax benefit/ benefit/	Amount	Amount	Tax benefit	Amount	Amount	Tax expense	Amount	Amount	Tax benefit	Amount
	before tax	(expense) MRUB	net of tax MRUB	before tax MRUB	MRUB	net of tax MRUB	before tax MRUB	MRUB	net of tax MRUB	before tax MRUB	MRUB	net of tax MRUB
Net change in fair value of financial assets available for sale	(38)	8	(30)	(73)	15	(58)	43	(9)	34	(38)	8	(30)
Cash flow hedge reserve	93	(19)	74	-	-	-	45	(9)	36	-	-	-
	55	(11)	44	(73)	15	(58)	88	(18)	70	(38)	8	(30)

11. Cash and cash equivalents

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Placements with banks and other financial institutions due within one month	38,950	26,347
Cash	7,358	9,763
Nostro accounts with the CBR	4,188	6,270
Nostro accounts with the NBRK	1,341	1,264
Amounts receivable under reverse repurchase agreements	1,478	6,754
Placements with the CBR	-	1,600
	<u>53,315</u>	<u>51,998</u>

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

As at 30 June 2013 cash and cash equivalents included placements with banks and other financial institutions with related parties in the amount of MRUB 2,338 (31 December 2012: MRUB 467).

12. Placements with banks and other financial institutions

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Term deposits with banks and other financial institutions due after one month	1,759	1,712
Minimum reserve deposit with the CBR	2,984	1,969
Minimum reserve deposit with the NBRK	281	335
	<u>5,024</u>	<u>4,016</u>

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.

Included in term deposits with banks and other financial institutions due after one month above are term deposits with related parties of MRUB 1,054 at the effective interest rate of 8.50% with the maturity of three to six months (31 December 2012: MRUB 1,063 at an effective interest rate of 8.50% with the maturity from six months to one year).

13. Loans to customers

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Cash loans	215,552	164,140
POS loans	66,841	65,321
Credit card loans	33,398	23,738
Mortgage loans	3,933	3,860
Car loans	165	279
Loans to corporations	24	24
Impairment allowance	(34,252)	(20,046)
	<u>285,661</u>	<u>237,316</u>

13. Loans to customers (continued)

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 125 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 30 June 2013 the average loan-to-value ratio for mortgage loans was 60% (as at 31 December 2012: 60%).

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

	30 June 2013		31 December 2012	
	Size TRUB	Term Months	Size TRUB	Term Months
POS loans	35.6	19	29.6	18
Cash loans	134.7	35	119.2	34

The Group considers loans which are contractually overdue for more than 90 days to be non-performing ("NPL"). As of 30 June 2013 total non-performing loans amounted to MRUB 27,269 (31 December 2012: MRUB 16,679). The Group created provisions for non-performing loans of 69.5% (31 December 2012: 70%). Performing loans were provided for at a rate of 4.9% (31 December 2012: 3.7%).

Total allowances for impairment by product classes to NPLs by product classes

	30 June 2013		31 December 2012	
	NPLs MRUB (Unaudited)	Provision coverage %	NPLs MRUB	Provision coverage %
Cash loans	18,464	134	10,574	129
POS loans	5,407	118	4,161	111
Credit card loans	3,221	91	1,724	93
Mortgage loans	152	112	189	112
Car loans	25	104	31	110
Total	27,269	126	16,679	120

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 six month period ended 30 June 2013 the Group sold non-performing loans with a gross value including penalties of MRUB 3,314 for MRUB 281 (six month period ended 30 June 2012: gross value including penalties of MRUB 5,132 for MRUB 259).

During the six month period ended 30 June 2013 the Group did not sell performing mortgage loans (six month period ended 30 June 2012: MRUB 123).

During the six month period ended 30 June 2013 the Group sold performing Cash loans to related parties with the gross value of MRUB 6,760 for MRUB 7,367. The premium of MRUB 607 is recognised in other operating income, net (six month period ended 30 June 2012: none) (Note 7).

13. Loans to customers (continued)

The Group estimated the impairment on loans to customers in accordance with the accounting policy as described in Note 3(i) of the Group's annual consolidated financial statements for the period ended 31 December 2012. The key assumptions used in estimating impairment losses for the six month period ended 30 June 2013 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 6.2% of the outstanding balance of the loans and through further collection actions for 23.5% of the loans' outstanding principal balances,
- car loans which borrowers are unable to repay in full can be partially recovered through further collection action for 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.

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 2013 were 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)	16,111	3,816	2,024	9	(9)	24	21,975
Loans recovered and sold which previously were written off	331	317	245	39	9	-	941
Write offs	(5,363)	(2,426)	(927)	(89)	(8)	-	(8,813)
Effect of foreign currency translation	65	38	-	-	-	-	103
Balance at 30 June (Unaudited)	24,732	6,363	2,937	170	26	24	34,252

Movements in the loan impairment allowance by classes of loans to customers for the six month period ended 30 June 2012 were 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)	5,554	1,614	466	(63)	(8)	-	7,563
Loans recovered and sold which previously were written off	218	263	325	137	9	-	952
Write offs	(1,139)	(2,002)	(499)	(173)	(38)	(11)	(3,862)
Balance at 30 June (Unaudited)	8,121	3,188	1,185	293	53	-	12,840

14. Financial assets at fair value through profit or loss

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Positive fair value of hedging derivative instruments	605	85
Positive fair value of trading derivative instruments	205	182
Claims to receive securities under REPO deals	862	-
	<u>1,672</u>	<u>267</u>

15. Financial assets available for sale

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Quoted debt securities	32,646	27,442
Non-quoted debt securities	1,015	849
	<u>33,661</u>	<u>28,291</u>

16. Property, equipment and intangible assets

(a) Intangible assets

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Cost	3,321	2,545
Accumulated amortisation	(1,394)	(969)
Net book value	<u>1,927</u>	<u>1,576</u>

(b) Property and equipment

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Cost	13,899	13,056
Accumulated depreciation	(4,585)	(3,889)
Net book value	<u>9,314</u>	<u>9,167</u>

17. Other assets

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Settlements with suppliers	1,028	729
Accrued income	911	3,103
Prepaid expenses	245	330
Taxes other than income tax	224	174
Other	144	401
	<u>2,552</u>	<u>4,737</u>

18. Debt securities issued

			30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
	Maturity	Interest rate		
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	April 2014/ October 2013*	7.90%	1,090	4,056
Loan participation notes issue 6 of MUSD 500	March 2014	Fixed, 7.00%	16,658	15,459
Stock exchange RUB bond issue 01 of MRUB 3,000	April 2014	Floating, 9.18%	3,050	3,049
Unsecured RUB bond issue 6 of MRUB 5,000	June 2014	9.35%	5,025	5,026
Unsecured RUB bond issue 7 of MRUB 5,000	April 2015	9.75%	5,083	5,083
Stock exchange RUB bond issue 02 of MRUB 3,000	February 2016	Fixed, 9.40%	3,009	-
			<u>33,915</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, resetable 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. The bondholders are entitled to demand early redemption of the bond at par in October 2013. Part of the bond issue in the amount of MRUB 2,924 were repurchased on 26 February 2013 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., resetable at specified coupon dates.

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

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.

Eurasia Capital S.A. is SPE established by the Group with the primary objective of raising finance through the issuance of debt securities. This SPE is controlled by the Group through the predetermination of the activities of SPE, having rights to obtain the majority of benefits of the SPE, and retaining the majority of the residual risks related to the SPE.

18. Debt securities issued (continued)

As at 30 June 2013 debt securities issued included debt securities held by related parties in the amount of MRUB 2,303 at the nominal interest rate of 7% with the maturity of three months to one year (as at 31 December 2012: MRUB 1,934 at the nominal interest rate of 7% with the maturity of one month to five years).

19. Subordinated debt

			30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
	Maturity	Coupon rate		
Loan participation notes issue of MUSD 500	April 2020/ April 2018*	Fixed, 9.375%	16,512	15,315
Subordinated borrowings from parent	December 2016	Variable, 9.64%	138	129
			<u>16,650</u>	<u>15,444</u>

* 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 9.375% 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 2013 subordinated debt from related parties amounted to MRUB 4,739 at the nominal interest rate of 9.375% with the maturity of three months to five years (as at 31 December 2012: MRUB 4,699 at the nominal interest rate of 9.375% with the maturity more than five years).

20. Due to banks and other financial institutions

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Unsecured loans	20,403	35,154
Secured loans	22,710	16,553
Other balances	437	108
	<u>43,550</u>	<u>51,815</u>

Included in unsecured loans due to banks and financial institutions above are term deposits with related parties of MRUB 7,746 at the effective interest rate of 9.8% with the maturity from one month to five years (31 December 2012: term deposit of MRUB 3,765 at the effective interest rate of 10.18% with the maturity from one month to five years).

As at 30 June 2013 the Group pledged and transferred financial assets available for sale with carrying amount of MRUB 26,776 as collateral for secured loans that have recourse only to the transferred assets. The fair value of the transferred assets available for sale and related secured loans equal their carrying amount and net position is MRUB 4,066.

As at 31 December 2012 the Group pledged and transferred financial assets available for sale with carrying amount of MRUB 19,562 as collateral for secured loans that have recourse only to the transferred assets. The fair value of the transferred assets available for sale and related secured loans equal their carrying amount and net position is MRUB 3,009.

21. Current accounts and deposits from customers

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Retail		
Term deposits	202,955	146,205
Current accounts and demand deposits	<u>16,598</u>	<u>18,128</u>
	<u>219,553</u>	<u>164,333</u>
Corporate		
Term deposits	16,406	9,005
Current accounts and demand deposits	<u>1,015</u>	<u>951</u>
	<u>17,421</u>	<u>9,956</u>
	<u>236,974</u>	<u>174,289</u>

As at 30 June 2013 current accounts and deposits from related parties totalled MRUB 214 which included term deposits of MRUB 121 at an effective interest rate of 8.0% with the maturity from three months to one year (as at 31 December 2012: MRUB 220 which included term deposits of MRUB 110 at an effective interest rate of 6.75% with the maturity of less than two years).

22. Financial liabilities at fair value through profit or loss

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Obligations to deliver securities under REPO deals	862	-
Negative fair value of trading derivative instruments	201	118
Negative fair value of hedging derivative instruments	<u>-</u>	<u>321</u>
	<u>1,063</u>	<u>439</u>

23. Other liabilities

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Accrued employee compensation	2,631	3,625
Other taxes payable	1,572	1,668
Settlements with suppliers	1,400	1,241
Other	<u>737</u>	<u>541</u>
	<u>6,340</u>	<u>7,075</u>

24. Financial instruments

Liquidity risk

The following table shows assets and liabilities by remaining contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the condensed consolidated interim statement of financial position because the statement of financial position amount is based on discounted cash flows.

MRUB	30 June 2013						31 December 2012							
	(Unaudited)													
	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	53,315	-	-	-	-	-	53,315	51,998	-	-	-	-	-	51,998
Placements with banks and other financial institutions	-	-	1,099	-	-	3,970	5,069	-	-	1,133	-	-	2,953	4,086
Loans to customers	26,405	61,406	171,625	133,308	1,666	-	394,410	24,044	47,405	144,746	108,461	1,681	-	326,337
Financial assets at fair value through profit or loss	904	79	(79)	768	-	-	1,672	33	106	127	1	-	-	267
Financial assets available for sale	3,894	11,198	19,429	-	-	-	34,521	470	11,070	17,876	-	-	-	29,416
Property, equipment and intangible assets	-	-	-	-	-	11,241	11,241	-	-	-	-	-	10,743	10,743
Assets held for sale	-	-	283	-	-	-	283	-	-	-	-	-	-	-
Investment in associate	-	-	-	-	-	86	86	-	-	-	-	-	102	102
Deferred tax asset	-	-	-	-	-	676	676	-	-	-	-	-	346	346
Other assets	993	108	1,281	170	-	-	2,552	3,045	185	1,043	142	-	322	4,737
Total assets	85,511	72,791	193,638	134,246	1,666	15,973	503,825	79,590	58,766	164,925	108,604	1,681	14,466	428,032
Liabilities														
Debt securities issued	211	759	27,151	8,978	-	-	37,099	354	648	9,774	29,841	-	-	40,617
Subordinated debt	1	2	1,544	22,659	-	-	24,206	-	-	1,424	5,696	18,746	-	25,866
Due to banks and other financial institutions	28,900	3,354	7,995	4,395	-	-	44,644	32,336	7,083	10,223	3,256	-	-	52,908
Current accounts and deposits from customers	35,401	35,816	155,075	21,903	-	-	248,195	29,906	22,505	103,453	28,509	-	-	184,373
Financial liabilities at fair value through profit or loss	906	109	48	-	-	-	1,063	11	151	117	160	-	-	439
Current income tax liability	556	-	27	-	-	-	583	656	-	4	-	-	-	660
Deferred tax liability	-	-	-	25	-	-	25	-	-	-	17	-	-	17
Other liabilities	4,478	350	1,390	-	-	122	6,340	2,997	4,070	8	-	-	-	7,075
Total liabilities	70,453	40,390	193,230	57,960	-	122	362,155	66,260	34,457	125,013	67,479	18,746	-	311,955
Irrevocable credit related commitments	3,418	-	357	-	-	-	3,775	2,508	-	357	1	-	-	2,866
Financial guarantees	1	1,000	-	-	-	-	1,001	-	2,500	3,000	-	-	-	5,500
Net position	11,639	31,401	51	76,286	1,666	15,851	136,894	10,822	21,809	36,555	41,124	(17,065)	14,466	107,711
Cumulative net position	11,639	43,040	43,091	119,377	121,043	136,894	-	10,822	32,631	69,186	110,310	93,245	107,711	-

24. Financial instruments (continued)

Fair value of financial instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 34 Interim Financial Reporting. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in forced sale or liquidation. As no readily available market exists for a significant part of the financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument.

The estimated fair values of financial assets available for sale and debt securities issued are based on quoted market prices at the reporting date without any deduction for transaction costs.

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

- The Group considers contractual interest rates of POS, cash and credit card loans to be marketable and, therefore, estimates the fair value of these loans to be the same as their carrying value. The estimation of the fair value of mortgage and car loans was made by using discounting future cash flows at discount rates of 12 - 17%, subject to the term and currency of the loan.
- The Group considers contractual interest rates of placements with banks and other financial institutions and due to banks and other financial institutions to be market rates and, therefore, estimates the fair value of these loans to be the same as their carrying value.
- 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's estimates of fair values of its financial assets and liabilities are not materially different from their carrying values.

The following table shows breakdown of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices (Level 1) or calculated using valuation techniques where all the model inputs are observable in the market (Level 2) as at 30 June 2013:

	Level 1	Level 2	Total
Assets			
Financial assets at fair value through profit or loss	862	810	1,672
Financial assets available for sale	32,646	1,015	33,661
	33,508	1,825	35,333
Liabilities			
Financial liabilities at fair value through profit or loss	862	201	1,063
	862	201	1,063

During the six month period ended 30 June 2013 there were no transfers of financial instruments between Level 1 and Level 2.

24. Financial instruments (continued)

The following table shows breakdown of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices (Level 1) or calculated using valuation techniques where all the model inputs are observable in the market (Level 2) as at 31 December 2012:

	Level 1	Level 2	Total
Assets			
Financial assets at fair value through profit or loss	-	267	267
Financial assets available for sale	27,442	849	28,291
	27,442	1,116	28,558
Liabilities			
Financial liabilities at fair value through profit or loss	-	439	439
	-	439	439

During the six month period ended 30 June 2012 there were no transfers of financial instruments between Level 1 and Level 2.

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's credit card accounts, approved overdraft facilities, guarantees and approved consumer loans.

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Credit card commitments	33,353	42,542
Undrawn overdraft facilities to corporations	2,002	358
POS and cash loan commitments	1,773	2,508
Guarantee provided	1,001	5,500
	38,129	50,908

The total outstanding contractual commitments to extend credit indicated above represent future cash requirements, though 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 2013	31 Dec 2012
	MRUB	MRUB
	(Unaudited)	
Less than one year	2,466	1,833
Between one and five years	5,563	4,106
More than five years	1,081	523
	<u>9,110</u>	<u>6,462</u>

During the six month period ended 30 June 2013 MRUB 1,483 (six month period ended 30 June 2012: MRUB 995) 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 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.

These circumstances may create tax risks in the Russian Federation 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 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.

The taxation system in the Republic of Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

28. 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 30 June 2013, this minimum level was 10%.

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 the bank has to maintain: a ratio of tier I capital to risk weighted assets, contingent liabilities, operational and market risk and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 30 June 2013, this minimum level of tier I capital to risk weighted assets, contingent liabilities, operational and market risk was 6% and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk was 12%.

The Group also calculates its capital adequacy in compliance with the methodology set out by the Bank of International Settlements. Tier I capital is represented by equity. Tier II capital is represented by subordinated debts, up to a limit of 50% of Tier I capital. 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%.

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

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Risk weighted assets	356,791	311,535
Tier I capital	55,071	51,334
Tier II capital	16,451	15,290
Total capital	71,522	66,624
Tier I ratio	15.4%	16.5%
Capital Adequacy Ratio	20.0%	21.4%

29. 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.

29. Segment analysis (continued)

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 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 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

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
Six months ended					
30 June 2013 (Unaudited)					
External interest income	6,007	4,451	30,811	1,773	43,042
Fee and commission income	2,971	1,706	10,328	189	15,194
Inter segment revenue	-	-	-	11,649	11,649
Total revenues	8,978	6,157	41,139	13,611	69,885
External interest expense	-	-	-	(13,347)	(13,347)
Inter segment interest expense	(1,707)	(727)	(9,306)	-	(11,740)
Inter segment other operating income, net	13	6	72	-	91
Fee and commission expense	(39)	(321)	(59)	(73)	(492)
Other operating income, net	7	-	4	110	121
Impairment losses	(3,816)	(2,024)	(16,111)	(24)	(21,975)
Total expenses	(5,542)	(3,066)	(25,400)	(13,334)	(47,342)
Segment profit	3,436	3,091	15,739	277	22,543
Six months ended					
30 June 2012 (Unaudited)					
External interest income	4,120	2,573	13,081	1,227	21,001
Fee and commission	2,295	899	5,675	51	8,920
Inter segment revenue	-	-	-	4,484	4,484
Total revenues	6,415	3,472	18,756	5,762	34,405
External interest expense	-	-	-	(6,091)	(6,091)
Inter segment interest expense	(829)	(362)	(3,192)	-	(4,383)
Inter segment other operating expense, net	(19)	(8)	(74)	-	(101)
Fee and commission expense	-	(195)	-	(18)	(213)
Other operating expense, net	-	-	-	(158)	(158)
Impairment losses	(1,614)	(466)	(5,554)	71	(7,563)
Total expenses	(2,462)	(1,031)	(8,820)	(6,196)	(18,509)
Segment profit	3,953	2,441	9,936	(434)	15,896

29. Segment analysis (continued)

Segment assets

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
Carrying amount at 30 June 2013 (Unaudited)	60,478	30,461	190,820	70,171	351,930
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:

	6 months ended 30 Jun 2013 MRUB (Unaudited)	6 months ended 30 Jun 2012 MRUB (Unaudited)
Segment revenues	69,885	34,405
Inter segment revenue	(11,649)	(4,484)
Unallocated fee and comission income	148	435
Total revenues	58,384	30,356

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

	6 months ended 30 Jun 2013 MRUB (Unaudited)	6 months ended 30 Jun 2012 MRUB (Unaudited)
Segment profit for reportable segments	22,543	15,896
Unallocated fee and comission income	148	435
Unallocated fee and comission expense	(708)	(223)
Unallocated other operating income/(expense)	742	52
General administrative expenses	(13,022)	(8,159)
Profit before tax	9,703	8,001

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

	30 Jun 2013 MRUB (Unaudited)	31 Dec 2012 MRUB
Total segment assets	351,930	282,662
Cash and cash equivalents (excluded from other segments)	24,138	36,922
Placements with banks and other financial institutions (excluded from other segments)	3,265	2,304
Property, equipment and intangible assets	11,241	10,743
Assets held for sale	283	-
Investment in subsidiaries and associates	86	102
Income tax asset	676	346
Other assets	2,552	4,737
Total assets	394,171	337,816

29. Segment analysis (continued)

(b) Geographical segments

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Six months ended 30 June 2013 (Unaudited)				
External interest income	40,708	2,334	-	43,042
Fee and commission income	13,877	1,465	-	15,342
Inter segment revenue	56	-	(56)	-
Total revenues	54,641	3,799	(56)	58,384
External interest expense	(12,948)	(399)	-	(13,347)
Inter segment interest expense	-	(56)	56	-
Inter segment other operating income/(expense), net	85	(71)	-	14
Fee and commission expense	(1,094)	(106)	-	(1,200)
Other operating income, net	795	54	-	849
Impairment losses	(21,069)	(906)	-	(21,975)
General administrative expenses	(12,089)	(933)	-	(13,022)
Total expenses	(46,320)	(2,417)	56	(48,681)
Profit before tax	8,321	1,382	-	9,703
Income tax expense	(1,845)	(318)	-	(2,163)
Profit for the period	6,476	1,064	-	7,540

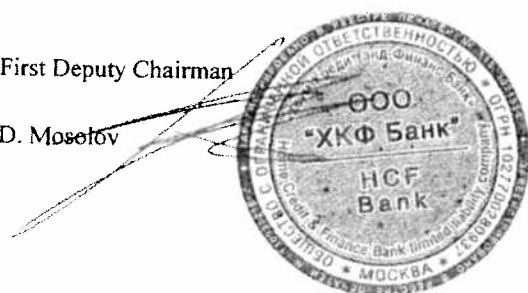
During the six month period ended 30 June 2012 the Group operated in the Russian Federation only.

Segment assets

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Carrying amount at 30 June 2013 (Unaudited)	377,095	19,853	(2,777)	394,171
Carrying amount at 31 December 2012	323,217	15,980	(1,381)	337,816

First Deputy Chairman

D. Moselov



Chief Financial Officer

I. Kolikova