

Home Credit and Finance Bank

**Condensed Consolidated Interim Financial Statements
for the six-month period ended 30 June 2014**

(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 2014, and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2014, 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 2014 and for the six-month period ended 30 June 2014 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: 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.

Other matter

The condensed consolidated interim financial information for the three-month periods ended 30 June 2014 and 30 June 2013 is not reviewed.



Shevarenkov E. V.

Deputy director (power of attorney No. 43/12 dated 12 October 2012)

ZAO KPMG

Moscow, Russian Federation

28 August 2014

Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Profit or Loss
for the six-month period ended 30 June 2014

		6 months ended 30 June 2014 MRUB (Unaudited)	6 months ended 30 June 2013 MRUB (Unaudited)	3 months ended 30 June 2014 MRUB (Unaudited)	3 months ended 30 June 2013 MRUB (Unaudited)
	Note				
Interest income	4	40,729	43,042	18,863	22,980
Interest expense	4	<u>(13,614)</u>	<u>(13,347)</u>	<u>(6,338)</u>	<u>(7,137)</u>
Net interest income		27,115	29,695	12,525	15,843
Fee and commission income	5	10,446	15,459	5,408	9,092
Fee and commission expense	6	<u>(1,453)</u>	<u>(1,317)</u>	<u>(764)</u>	<u>(629)</u>
Net fee and commission income		8,993	14,142	4,644	8,463
Other operating income, net	7	<u>378</u>	<u>863</u>	<u>262</u>	<u>353</u>
Operating income		36,486	44,700	17,431	24,659
Impairment losses	8	(27,339)	(21,975)	(10,987)	(12,436)
General administrative expenses	9	<u>(13,912)</u>	<u>(13,022)</u>	<u>(7,173)</u>	<u>(6,943)</u>
Operating expenses		<u>(41,251)</u>	<u>(34,997)</u>	<u>(18,160)</u>	<u>(19,379)</u>
(Loss)/profit before tax		(4,765)	9,703	(729)	5,280
Income tax benefit/(expense)	10	<u>747</u>	<u>(2,163)</u>	<u>(18)</u>	<u>(1,193)</u>
(Loss)/profit for the period		<u>(4,018)</u>	<u>7,540</u>	<u>(747)</u>	<u>4,087</u>
(Loss)/profit for the period attributable to equity holders of the Group		<u>(4,018)</u>	<u>7,540</u>	<u>(747)</u>	<u>4,087</u>

The condensed consolidated interim financial statements as set out on pages 5 to 40 were approved by the Board of Management on 28 August 2014.

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 2014

	6 months ended 30 June 2014 MRUB (Unaudited)	6 months ended 30 June 2013 MRUB (Unaudited)	3 months ended 30 June 2014 MRUB (Unaudited)	3 months ended 30 June 2013 MRUB (Unaudited)
(Loss)/profit for the period, recognised in condensed consolidated interim statement of profit or loss	<u>(4,018)</u>	<u>7,540</u>	<u>(747)</u>	<u>4,087</u>
Other comprehensive (loss)/income that is or may be reclassified subsequently to profit or loss				
Revaluation reserve for financial assets available for sale:				
- net change in fair value of financial assets available for sale, net of tax	25	(80)	54	7
- net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	(47)	50	(62)	27
Cash flow hedge reserve, net of tax - effective portion of changes in fair value	269	74	(56)	36
Effect of foreign currency translation	<u>(818)</u>	<u>355</u>	<u>(319)</u>	<u>260</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(571)</u>	<u>399</u>	<u>(383)</u>	<u>330</u>
Total comprehensive (loss)/income for the period	<u>(4,589)</u>	<u>7,939</u>	<u>(1,130)</u>	<u>4,417</u>
Total comprehensive (loss)/income for the period attributable to equity holders of the Group	<u>(4,589)</u>	<u>7,939</u>	<u>(1,130)</u>	<u>4,417</u>

Acting Chairman

D. Mosolov



Chief Financial Officer

I. Kolikova

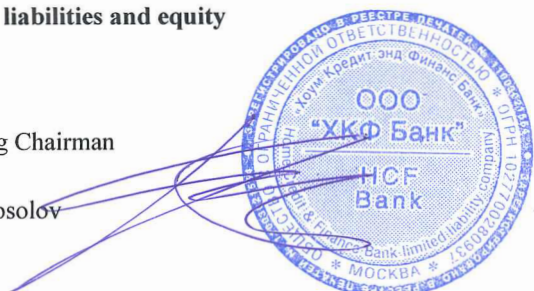
The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements.

Home Credit and Finance Bank
Condensed Consolidated Interim Statement of Financial Position
as at 30 June 2014

		30 June 2014	31 Dec 2013
		MRUB	MRUB
ASSETS	Note	(Unaudited)	
Cash and cash equivalents	11	48,889	43,323
Placements with banks and other financial institutions	12	7,372	7,207
Loans to customers	13	249,453	285,913
Positive fair value of derivative instruments	14	960	371
Financial assets available for sale	15	7,757	5,711
Property, equipment and intangible assets	16	11,872	12,470
Assets classified as held for sale		286	294
Investment in associate		70	163
Deferred tax asset		2,170	1,088
Current income tax receivable		1,083	441
Other assets	17	<u>2,588</u>	<u>1,953</u>
Total assets		<u>332,500</u>	<u>358,934</u>
LIABILITIES AND EQUITY			
Liabilities			
Debt securities issued	18	15,567	39,284
Subordinated debt	19	23,947	23,318
Due to banks and other financial institutions	20	23,920	14,057
Current accounts and deposits from customers	21	213,858	221,381
Negative fair value of derivative instruments	22	23	147
Deferred tax liability		27	-
Other liabilities	23	<u>5,762</u>	<u>5,551</u>
Total liabilities		<u>283,104</u>	<u>303,738</u>
Equity			
Charter capital		4,406	4,406
Other capital contributions		10,631	10,631
Revaluation reserve for financial assets available for sale		(17)	5
Cash flow hedge reserve		271	2
Translation reserve		(544)	274
Retained earnings		<u>34,649</u>	<u>39,878</u>
Total equity attributable to equity holders of the Group		<u>49,396</u>	<u>55,196</u>
Total liabilities and equity		<u>332,500</u>	<u>358,934</u>

Acting 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 2014

MRUB	Attributable to equity holders of the Group							Non-controlling interest	Total equity
	Charter capital	Other capital contributions	Revaluation reserve for financial assets available for sale	Cash flow hedge reserve	Translation reserve	Retained earnings	Total		
Balance at 1 January 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 (unaudited)	4,406	10,631	(9)	35	355	39,653	55,071	-	55,071
Balance at 1 January 2014	4,406	10,631	5	2	274	39,878	55,196	-	55,196
Loss for the period	-	-	-	-	-	(4,018)	(4,018)	-	(4,018)
Net change in fair value of financial assets available for sale, net of tax	-	-	25	-	-	-	25	-	25
Net change in fair value of financial assets available for sale transferred to profit or loss, net of tax	-	-	(47)	-	-	-	(47)	-	(47)
Change in cash flow hedge reserve, net of tax	-	-	-	269	-	-	269	-	269
Effect of foreign currency translation	-	-	-	-	(818)	-	(818)	-	(818)
Total comprehensive loss for the period	-	-	(22)	269	(818)	(4,018)	(4,589)	-	(4,589)
Dividends paid	-	-	-	-	-	(1,211)	(1,211)	-	(1,211)
Balance at 30 June 2014 (unaudited)	4,406	10,631	(17)	271	(544)	34,649	49,396	-	49,396

Acting 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 2014

		6 month period ended 30 June 2014 MRUB (Unaudited)	6 month period ended 30 June 2013 MRUB (Unaudited)
	Note		
Cash flow from operating activities			
Interest received		40,705	42,166
Interest paid		(14,124)	(11,353)
Fees and commissions received		9,792	14,537
Fees and commissions paid		(1,433)	(1,203)
Net receipts from foreign exchange transactions		1,525	1,188
Other operating income received		82	65
Administrative and other operating expenses paid		(12,434)	(12,856)
Income tax paid		(997)	(2,588)
Cash flows from operating activities before changes in operating assets and liabilities		23,116	29,956
Changes in operating assets and liabilities			
Net increase in placements with banks and other financial institutions		(408)	(1,295)
Net increase in financial assets available for sale		(1,647)	(4,855)
Net increase in financial assets at fair value through profit or loss		-	(836)
Net decrease/(increase) in loans to customers		4,940	(67,903)
Net decrease in other assets		1,054	2,750
Net (decrease)/increase in current accounts and deposits from customers		(5,082)	59,872
Net increase/(decrease) in due to banks and other financial institutions		11,587	(7,455)
Net increase in other liabilities		247	327
Net cash from operating activities		33,807	10,561
Cash flows used in investing activities			
Proceeds from sale of interest in associate		-	128
Proceeds from sale of property and equipment		3	3
Acquisition of property, equipment and intangible assets		(1,483)	(1,558)
Acquisition of subsidiary		-	(1,776)
Net cash used in investing activities		(1,480)	(3,203)
Cash flows used in financing activities			
Proceeds from the issue of debt securities		1,514	2,984
Repayments of debt securities issued		(26,325)	(6,924)
Dividends paid		(1,211)	(2,421)
Net cash used in financing activities		(26,022)	(6,361)
Net increase in cash and cash equivalents		6,305	997
Effect of exchange rate changes on cash and cash equivalents		(739)	320
Cash and cash equivalents at 1 January	11	43,323	51,998
Cash and cash equivalents at 30 June	11	48,889	53,315

Acting Chairman

D Mosolov

Chief Financial Officer

I. Kolkova

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 2014	31 Dec 2013
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 2014	31 Dec 2013
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	100.00
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

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

HC Finance No. 2 (LLC) was established on 18 June 2014. Eurasia Structured Finance No.4 B.V. was established on 4 June 2014. Eurasia Capital S.A., Eurasia Structured Finance No.1 S.A., Eurasia Credit Card Company 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.

** As at 30 June 2014 Eurasia Structured Finance No.1 S.A. and Eurasia Credit Card Company S.A. were in the process of liquidation.*

1. Description of the Group (continued)

Associate	Country of incorporation	Ownership interest (%)	
		30 Jun 2014	31 Dec 2013
Equifax Credit Services (LLC)	Russian Federation	25.00	25.00

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

Principal activities

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

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

As at 30 June 2014, 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, 928 standard banking offices, 4,933 loan offices, 90 regional centres, 3 representative offices, over 90 thousand points of sale which cover over 2,000 residential areas in the Russian Federation and over 1,000 Russian post offices. As at 30 June 2014 the ATM network comprised 1,058 ATMs and payment terminals across the Russian Federation.

As at 30 June 2014 the distribution network in Kazakhstan comprised 136 standard banking offices, 3,736 loan offices, over 700 points of sale and over 200 Kazakhstan post offices. As at 30 June 2014 the ATM network of Bank Home Credit (SB JSC) comprised 235 ATMs and payment terminals across Kazakhstan.

Business optimisation programme

In June 2014 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 and made a provision for restructuring under the business optimisation programme mentioned above of MRUB 174 (Note 23). As a result of closure of offices, the Group recognised a provision for impairment of tangible assets of MRUB 445 (Note 16).

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 2013, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

2. Basis of preparation (continued)

(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 2013.

(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 the majority of its subsidiaries, except Bank Home Credit (SB JSC), to be the RUB as it reflects the economic substance of the majority of underlying events and circumstances of the Group. The functional currency of Bank Home Credit (SB JSC) is KZT. The RUB is the Group's presentation currency for the purposes of these condensed consolidated interim 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. In addition, the contraction felt after the 2008 economic downturn in the capital and credit markets and the impact of this on the economy further increased the level of economic uncertainty in the environment. The condensed consolidated interim financial statements reflect management's assessment of the impact of business environment of the Russian Federation and the Republic of Kazakhstan on the operations and financial position of the Group. The future business environment may differ from management's assessment.

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 2013. Certain amendments to IFRS become effective from 1 January 2014 and have been adopted by the Group since that date. These changes do not have significant effect on the condensed consolidated interim financial statements.

(a) 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 2014, and are 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* is effective for period beginning 1 January 2018 and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The final standard was issued in June 2014. The Group recognises that the new standard introduces many changes to accounting for financial instruments and is likely to have a significant impact on the condensed consolidated interim financial statements. The Group does not intend to adopt this standard early.

3. Significant accounting policies (continued)

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 2015. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

(b) Comparative figures

State duties in the amount of MRUB 117 for the six-month period ended 30 June 2013 were reclassified from contractual penalties from customers in fee and commission income to corresponding expenses in fee and commission expense in order to conform to the presentation in 2014. State duties in the amount of MRUB 56 for the three-month period ended 30 June 2013 was reclassified from contractual penalties from customers in fee and commission income to corresponding expenses in fee and commission expense in order to conform the presentation in 2014. The reclassification had no impact on the Group's result or equity.

4. Interest income and interest expense

	6 month period ended 30 June 2014 MRUB (Unaudited)	6 month period ended 30 June 2013 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2013 MRUB (Unaudited)
Interest income				
Loans to individuals	39,019	41,497	18,314	22,157
Trading derivative instruments	968	8	74	-
Placements with banks and other financial institutions	392	237	271	117
Financial assets available for sale	177	1,182	124	649
Amounts receivable under reverse repurchase agreements	171	116	79	56
Loans to corporations	2	2	1	1
	40,729	43,042	18,863	22,980
Interest expense				
Current accounts and deposits from customers	8,660	9,697	4,317	5,230
Debt securities	1,270	1,450	475	701
Subordinated debt	1,218	750	606	383
Due to banks and other financial institutions	1,207	1,015	763	568
Trading derivative instruments	904	15	14	3
Hedging derivative instruments	355	420	163	252
	13,614	13,347	6,338	7,137

5. Fee and commission income

	6 month period ended 30 June 2014 MRUB (Unaudited)	6 month period ended 30 June 2013 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2013 MRUB (Unaudited)
Insurance agent commissions	7,294	12,490	3,586	7,314
Contractual penalties from customers	1,292	1,109	855	737
Cash operations	1,097	1,127	596	613
Fees from retailers	297	221	167	116
Customer payments processing and account maintenance	293	318	148	156
Pension agent commissions	50	125	-	125
Other	123	69	56	31
	10,446	15,459	5,408	9,092

6. Fee and commission expense

	6 month period ended 30 June 2014 MRUB (Unaudited)	6 month period ended 30 June 2013 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2013 MRUB (Unaudited)
Cash transactions	460	557	234	291
Payments to the Deposits Insurance Agency	400	498	201	200
State duties	309	117	185	56
Payments processing and account maintenance	194	108	102	58
Other	90	37	42	24
	1,453	1,317	764	629

7. Other operating income, net

		6 month period ended 30 June 2014 MRUB (Unaudited)	6 month period ended 30 June 2013 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2013 MRUB (Unaudited)
	Note				
Net gain/(loss) on spot transactions and derivatives		1,343	(214)	765	(63)
Gain from sale of loans	13	81	607	70	321
Net realised gain/(loss) on disposal of financial assets available for sale		1	6	6	(25)
Net gain from sale of interest in associate		-	116	-	-
(Loss)/gain from foreign exchange revaluation of financial assets and liabilities		(1,035)	291	(578)	97
Other		(12)	57	(1)	23
		378	863	262	353

8. Impairment losses

		6 month period ended 30 June 2014 MRUB (Unaudited)	6 month period ended 30 June 2013 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2013 MRUB (Unaudited)
Cash loans		17,610	16,111	6,152	9,199
Credit card loans		5,784	2,024	3,074	1,116
POS loans		3,567	3,816	1,349	2,083
Property, equipment and intangible assets		445	-	445	-
Loans to corporations		5	24	-	24
Car loans		(7)	(9)	(6)	(4)
Mortgage loans		(67)	9	(20)	18
Other assets		2	-	(7)	-
		27,339	21,975	10,987	12,436

9. General administrative expenses

		6 month period ended 30 June 2014	6 month period ended 30 June 2013	3 month period ended 30 June 2014	3 month period ended 30 June 2013
	Note	MRUB (Unaudited)	MRUB (Unaudited)	MRUB (Unaudited)	MRUB (Unaudited)
Personnel related expenses		5,994	5,787	2,960	3,132
Occupancy	26	1,775	1,483	915	785
Payroll related taxes		1,376	1,216	633	610
Depreciation and amortisation		1,347	1,026	681	527
Telecommunication and postage		819	825	411	415
Professional services		616	417	318	209
Repairs and maintenance		506	463	313	242
Advertising and marketing		355	575	321	372
Information technology		211	227	116	116
Travel expenses		160	219	96	135
Taxes other than income tax		129	130	62	69
Other		624	654	347	331
		13,912	13,022	7,173	6,943

10. Income tax benefit/(expense)

	6 month period ended 30 June 2014 MRUB (Unaudited)	6 month period ended 30 June 2013 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2013 MRUB (Unaudited)
Current tax expense	(369)	(2,498)	(49)	(1,640)
Deferred tax benefit	1,116	335	31	447
	747	(2,163)	(18)	(1,193)
Reconciliation of effective tax rate				
	6 month period ended 30 June 2014 MRUB (Unaudited)	6 month period ended 30 June 2013 MRUB (Unaudited)	3 month period ended 30 June 2014 MRUB (Unaudited)	3 month period ended 30 June 2013 MRUB (Unaudited)
(Loss)/profit before tax	(4,765)	9,703	(729)	5,280
Income tax using the applicable tax rate (20%)	953	(1,941)	146	(1,056)
Dividends from Bank Home Credit (SB JSC)	(132)	-	(132)	-
Net non-deductible costs	(88)	(233)	(32)	(137)
Income taxed at lower tax rates	14	11	-	-
	747	(2,163)	(18)	(1,193)

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

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

	6 month period ended 30 Jun 2014 (Unaudited)			6 month period ended 30 Jun 2013 (Unaudited)			3 month period ended 30 Jun 2014 (Unaudited)			3 month period ended 30 Jun 2013 (Unaudited)		
	Amount	Tax	Amount	Amount	Tax	Amount	Amount	Tax	Amount	Amount	Tax	Amount
	before tax	benefit / (expense)	net of tax	before tax	benefit/ (expense)	net of tax	before tax	benefit net of tax	before tax	before tax	expense net of tax	before tax
MRUB												
Net change in fair value of financial assets available for sale	(28)	6	(22)	(38)	8	(30)	(10)	2	(8)	43	(9)	34
Cash flow hedge reserve	336	(67)	269	93	(19)	74	(70)	14	(56)	45	(9)	36
	308	(61)	247	55	(11)	44	(80)	16	(64)	88	(18)	70

11. Cash and cash equivalents

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Placements with banks and other financial institutions due within one month	29,536	19,421
Amounts receivable under reverse repurchase agreements	8,591	8,654
Cash	6,530	9,518
Nostro accounts with the CBR	3,684	5,602
Placements with the NBRK	495	-
Nostro accounts with the NBRK	53	128
	48,889	43,323

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

12. Placements with banks and other financial institutions

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Term deposits with banks and other financial institutions due after one month	4,266	3,704
Minimum reserve deposit with the CBR	2,105	2,376
Placements with MasterCard and VISA	736	750
Minimum reserve deposit with the NBRK	265	377
	7,372	7,207

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

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

13. Loans to customers

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Cash loans	191,354	208,386
POS loans	58,541	76,364
Credit card loans	47,289	42,722
Mortgage loans	4,161	4,188
Car loans	63	100
Loans to corporations	36	18
Impairment allowance	(51,991)	(45,865)
	249,453	285,913

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 88 and require a minimum monthly payment of 5% of the outstanding credit balance on the respective credit card (31 December 2013: 3 years and TRUB 98 respectively and a minimum monthly payment of 5% of the outstanding credit balance). As at 30 June 2014 the average loan-to-value ratio for mortgage loans was 61% (31 December 2013: 61%).

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

	30 June 2014		31 December 2013	
	(Unaudited)			
	Size	Term	Size	Term
	TRUB	Months	TRUB	Months
Cash loans	165.2	36	152.0	36
POS loans	38.2	21	34.2	19

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

	30 June 2014		31 December 2013	
	(Unaudited)			
	NPLs	Provision	NPLs	Provision
	MRUB	coverage	MRUB	coverage
		%		%
Cash loans	33,124	110	26,654	125
POS loans	6,772	109	6,427	116
Credit card loans	8,452	94	5,422	92
Mortgage loans	126	117	134	105
Car loans	15	93	19	100
	48,489	107	38,656	119

Non-performing loans are defined by the Group as loans and receivables overdue more than 90 days. Loans and receivables, except for mortgage and car loans, overdue 360 days are written off. Mortgage and car loans 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 2014 the Group sold non-performing loans with a gross value including penalties of MRUB 12,516 for MRUB 1,065 (six-month period ended 30 June 2013: gross value including penalties of MRUB 3,314 for MRUB 281).

During the six-month period ended 30 June 2014 the Group sold performing cash and POS loans to related parties with the gross value of MRUB 14,280 for MRUB 14,361. The gain of MRUB 81 is recognised in other operating income, net (six-month period ended 30 June 2013: performing cash and POS loans with the gross value of MRUB 6,760 for MRUB 7,367, with a gain of MRUB 607) (Note 7).

The Group estimated the impairment on loans to customers in accordance with the accounting policy as described in Note 3(j) and used assumptions described in Note 13 of the Group's annual consolidated financial statements for the year ended 31 December 2013 taking into account the following. Changes in the macroeconomic situation and fast growth in retail banking in Russia in previous years caused the Bank to adjust its lending criteria in the middle of 2013, making new loan origination substantially tightened as compared to previous periods. As a result the management believes that the new loans behave substantially better and future loan delinquency migration and collection experience for new loans will not be consistent with past experience. The Bank monitors performance of the new loans separately.

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 2014 would be MRUB 2,495 lower/higher (31 December 2013: MRUB 2,859).

13. Loans to customers (continued)

As at 30 June 2014 cash loans receivables with the total carrying amount of MRUB 6,131 (31 December 2013: MRUB 6,121) were sold to Eurasia Structured Finance No.3 B.V. and served as collateral in relation to the notes issued by the HC Finance (LLC) as a part of cash loan securitisation transaction (refer to Note 18). Eurasia Structured Finance No.3 B.V. can not sell or repledge these cash loan receivables (unless the enforcement event contemplated by the relevant cash loan document occurs) to other parties save for the obligation of the Bank to repurchase ineligible receivables.

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 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.

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

14. Positive fair value of derivative instruments

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Hedging derivative instruments	784	346
Trading derivative instruments	176	25
	<u>960</u>	<u>371</u>

15. Financial assets available for sale

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Quoted debt securities	7,757	5,711
	<u>7,757</u>	<u>5,711</u>

16. Property, equipment and intangible assets

Intangible assets

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Cost	4,646	4,041
Accumulated amortisation	(2,060)	(1,557)
Net book value	<u>2,586</u>	<u>2,484</u>

Property and equipment

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Cost	15,702	15,544
Accumulated depreciation	(5,971)	(5,365)
Impairment losses	(445)	(193)
Net book value	<u>9,286</u>	<u>9,986</u>
	<u>11,872</u>	<u>12,470</u>

Movements in the impairment allowance are as follows:

	2014 MRUB	2013 MRUB
Balance at 1 January	(193)	-
Impairment losses	(445)	-
Amounts related to offices closed	193	-
Balance at 30 June (unaudited)	<u>(445)</u>	<u>-</u>

17. Other assets

	30 June 2014	31 Dec 2013
	MRUB	MRUB
	(Unaudited)	
Settlements with suppliers	1,791	1,169
Taxes other than income tax	449	258
Accrued income	121	347
Prepaid expenses	78	71
Other	154	111
Impairment allowance	(5)	(3)
	2,588	1,953

18. Debt securities issued

	30 June 2014	31 Dec 2013
	MRUB	MRUB
	(Unaudited)	
	Maturity	Coupon rate
Loan participation notes issue 6 of MUSD 500	March 2014	Fixed, 7.00%
		-
Stock exchange RUB bond issue 01 of MRUB 3,000	April 2014	Floating, 8.80%
		-
Unsecured RUB bond issue 6 of MRUB 5,000	June 2014	9.35%
		-
Unsecured RUB bond issue 7 of MRUB 5,000	April 2015	9.75%
		5,087
Stock exchange RUB bond issue 02 of MRUB 3,000	February 2016	9.40%
		3,016
Cash loan receivables backed notes of MRUB 5,000	November 2021/ November 2016*	8.25%
		4,951
Unsecured KZT bond issue 1 of MKZT 7,000	November 2016	Fixed, 8.50%
		1,262
Unsecured KZT bond issue 2 of MKZT 6,769	February 2019	Fixed, 9.50%
		1,251
		15,567
		39,284

* Early redemption option date

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. The notes were repaid on the maturity date at par.

In April 2011 the Group issued the RUB denominated Stock exchange bond issue 01 with a floating coupon rate at 3M MosPrime + 200 b.p., resettable at specified coupon dates. In April 2014 the Group fully repaid the bond issue at par.

The unsecured RUB denominated bond issue 6 was issued in June 2009 with a fixed coupon rate, resettable at specified option dates. In June 2014 the Group fully repaid the bond issue at par.

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 is valid until the final maturity date.

18. Debt securities issued (continued)

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

In November 2013 the Group issued the RUB denominated cash loan receivables backed notes through HC Finance (LLC) with a fixed coupon rate which is valid until the coupon payment date on 19 January 2017 and capped floating coupon rate from 20 January 2017 till the final maturity. The proceeds from the issue were used to grant a unsecured loan to Eurasia Structured Finance No. 3 B.V. This loan was used to obtain cash loan receivables from the Bank (Note 13). The Bank issued the public offer to purchase the outstanding securitisation bonds on 27 November 2016.

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

In February 2014 the Group issued the 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 concluded that it controls these structured entities.

19. Subordinated debt

	Maturity	Coupon rate	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Loan participation notes issue of MUSD 500	April 2020/ April 2018*	Fixed, 9.38%	17,004	16,541
Loan participation notes issue of MUSD 200	April 2021/ April 2019*	Fixed, 10.50%	6,826	6,641
Subordinated borrowings from parent	December 2016	16.00%	117	136
			23,947	23,318

* Early redemption option date

In October 2012 the Group issued the MUSD 500 of subordinated seven and a half year loan participation notes at the fixed rate of 9.38% through Eurasia Capital S.A. The terms of the loan agreement include the call option executable on 24 April 2018 ("the reset date"). The proceeds from the issue were used to grant a subordinated loan to the Bank. After the reset date the interest rate is determined as two year US treasuries rate + 862.4 b.p. In November 2012 the issue was registered with the CBR.

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

20. Due to banks and other financial institutions

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Unsecured loans	18,999	13,811
Secured loans	4,364	-
Other balances	557	246
	23,920	14,057

As at 30 June 2014 the Group pledged and transferred financial assets available for sale with carrying amount of MRUB 4,699 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 335 (31 December 2013: none).

21. Current accounts and deposits from customers

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Retail		
Term deposits	192,198	194,518
Current accounts and demand deposits	16,534	20,195
	208,732	214,713
Corporate		
Term deposits	4,293	5,929
Current accounts and demand deposits	833	739
	5,126	6,668
	213,858	221,381

22. Negative fair value of derivative instruments

	30 June 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Hedging derivative instruments	-	85
Trading derivative instruments	23	62
	23	147

23. Other liabilities

	30 June 2014	31 Dec 2013
	MRUB	MRUB
	(Unaudited)	
Accrued employee compensation	2,917	2,443
Settlements with suppliers	1,436	1,635
Other taxes payable	695	938
Accrued payments to the Deposits Insurance Agency	186	204
Provision for restructuring	174	99
Other	354	232
	<u>5,762</u>	<u>5,551</u>

24. Financial instruments

The following table shows assets and liabilities as at 30 June 2014 and 31 December 2013 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 2014 (Unaudited)						31 December 2013							
	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
Non-derivative assets														
Cash and cash equivalents	48,899	-	-	-	-	-	48,899	43,328	-	-	-	-	-	43,328
Placements with banks and other financial institutions	-	-	4,394	-	-	3,106	7,500	-	994	2,894	-	-	3,517	7,405
Loans to customers	24,450	50,731	146,867	110,942	1,742	-	334,732	27,106	62,223	171,897	124,698	1,831	-	387,755
Financial assets available for sale	2,202	623	4,989	-	-	-	7,814	744	4,949	33	-	-	-	5,726
Property, equipment and intangible assets	-	-	-	-	-	11,872	11,872	-	-	-	-	-	12,470	12,470
Assets classified as held for sale	-	-	286	-	-	-	286	-	-	294	-	-	-	294
Investment in associate	-	-	-	-	-	70	70	-	-	-	-	-	163	163
Deferred tax asset	-	-	-	-	-	2,170	2,170	-	-	-	-	-	1,088	1,088
Current income tax receivable	-	-	1,083	-	-	-	1,083	-	-	441	-	-	-	441
Other assets	1,293	66	1,198	31	-	-	2,588	459	91	1,377	26	-	-	1,953
Total non-derivative assets	76,844	51,420	158,817	110,973	1,742	17,218	417,014	71,637	68,257	176,936	124,724	1,831	17,238	460,623
Non-derivative liabilities														
Debt securities issued	(156)	(139)	(6,115)	(11,891)	-	-	(18,301)	(187)	(17,223)	(9,195)	(16,117)	-	-	(42,722)
Subordinated debt	(2)	(3)	(2,297)	(31,251)	-	-	(33,553)	(1)	(2)	(2,232)	(24,647)	(6,889)	-	(33,771)
Due to banks and other financial institutions	(8,394)	(3,618)	(10,506)	(1,728)	-	-	(24,246)	(1,473)	(1,856)	(6,671)	(5,157)	-	-	(15,157)
Current accounts and deposits from customers	(38,639)	(34,597)	(129,024)	(20,264)	-	-	(222,524)	(48,325)	(44,591)	(126,791)	(9,710)	-	-	(229,417)
Deferred tax liability	-	-	-	-	-	(27)	(27)	-	-	-	-	-	-	-
Other liabilities	(2,641)	(1,995)	(1,126)	-	-	-	(5,762)	(2,639)	(735)	(1,968)	-	-	(209)	(5,551)
Total non-derivative liabilities	(49,832)	(40,352)	(149,068)	(65,134)	-	(27)	(304,413)	(52,625)	(64,407)	(146,857)	(55,631)	(6,889)	(209)	(326,618)
Derivative instruments														
- Inflow	103	14	63	787	-	-	967	-	-	-	357	-	-	357
- Outflow	(10)	(36)	(155)	(89)	-	-	(290)	(3)	(140)	(159)	(133)	-	-	(435)
Net balance position	27,105	11,046	9,657	46,537	1,742	17,191	113,278	19,009	3,710	29,920	69,317	(5,058)	17,029	133,927
Irrevocable credit related commitments *	(3,051)	-	(440)	-	-	-	(3,491)	(2,233)	-	(231)	-	-	-	(2,464)
Financial guarantees	(3,000)	(2,500)	(2,600)	-	-	-	(8,100)	(1)	-	-	-	-	-	(1)
Net position	21,054	8,546	6,617	46,537	1,742	17,191	101,687	16,775	3,710	29,689	69,317	(5,058)	17,029	131,462
Cumulative net position	21,054	29,600	36,217	82,754	84,496	101,687	-	16,775	20,485	50,174	119,491	114,433	131,462	-

* Other credit related commitments are disclosed in Note 25

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 98.7-100.7% for debt securities issued in RUB and market quote of 98.1% for debt securities issued in KZT
- The estimation of the fair value of subordinated debt was made by using market quotes in the range of 94.9-95.8% 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 discounting future cash flows at discount rates of 30%. The estimation of the fair value of mortgage loans was made by discounting future cash flows at discount rates of 12.0-12.5%
- The estimation of the fair value of placements with banks and other financial institutions was made by discounting future cash flows at discount rates of 8.5% in RUB, 4.5% in USD
- The estimation of the fair value of subordinated debt was made by discounting future cash flows at discount rate of 16.0% for borrowings in KZT
- The estimation of the fair value of due to banks and other financial institutions was made by discounting future cash flows at discount rates of 8.8-10.0% in RUB and 15.1% in KZT
- The estimation of the fair value of deposits from customers was made by discounting future cash flows at discount rates of 10.0% in RUB, 4.0% in USD, 4.0% in EUR and 8.0% in KZT
- The Group uses widely recognised valuation models for determining the fair value of financial instruments at fair value through profit or loss that use only observable market data such as foreign currency exchange rates and benchmark interest rates.

The Group measures fair values for financial instruments recorded in the 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 following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 June 2014:

MRUB	Carrying	Fair value (Unaudited)			
	amount (Unaudited)	Level 1	Level 2	Level 3	Total
Assets					
Loans to customers	249,453	-	-	251,383	251,383
Liabilities					
Subordinated debt	23,947	22,781	117	-	22,898
Current accounts and deposits from customers	213,858	-	211,625	-	211,625

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

The following table analyses the fair values of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2013:

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

The estimates of fair values of its financial assets other than loans to customers and financial liabilities other than debt securities issued, subordinated debt and current accounts and deposits from customers as at 31 December 2013 are not materially different from their carrying values.

The table below analyses financial instruments measured at fair value at 30 June 2014, by the level in the fair value hierarchy into which the fair value measurement is categorised:

MRUB	Level 1	Level 2	Total
	(Unaudited)		
Assets			
Positive fair value of derivative instruments	-	960	960
Financial assets available for sale	7,757	-	7,757
Liabilities			
Negative fair value of derivative instruments	-	23	23

24. Financial instruments (continued)

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

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

As at 30 June 2014 and 31 December 2013 Level 2 comprises fair values of derivative financial instruments whose valuation is based on FX spot rates as set by the CBR and benchmark interest rates.

During the six-month period ended 30 June 2014 there were no transfers of financial instruments between Level 1, Level 2 and Level 3 (six-month period ended 30 June 2013: none).

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 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Credit card commitments	30,692	30,832
Guarantees provided	8,100	1
POS and cash loan commitments	3,051	2,233
Undrawn overdraft facilities to corporations	440	231
	<u>42,283</u>	<u>33,297</u>

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

26. Operating leases

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

Non-cancellable operating lease rentals are payable as follows:

	30 Jun 2014	31 Dec 2013
	MRUB	MRUB
	(Unaudited)	
Less than one year	2,155	2,411
Between one and five years	4,153	5,152
More than five years	<u>435</u>	<u>522</u>
	<u>6,743</u>	<u>8,085</u>

During the six-month period ended 30 June 2014 MRUB 1,775 (six-month period ended 30 June 2013: MRUB 1,483) 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.

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

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

These circumstances may create tax risks in the Russian Federation that are 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 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 months ended 30 June 2014 MRUB (Unaudited)	6 months ended 30 June 2013 MRUB (Unaudited)
Interest income	131	44
Interest expense	(9)	(6)
Gain from foreign exchange revaluation of financial assets and liabilities	-	16
	<u>122</u>	<u>54</u>

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

	30 Jun 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Placements with banks and other financial institutions	4,266	3,671
Subordinated debt	(117)	(136)
	<u>4,149</u>	<u>3,535</u>

As at 30 June 2014 due from banks and other financial institutions shown above included term deposits in the amount of MRUB 4,266 at an effective interest rate of 6.0% with maturity of three months to one year. (31 December 2013: MRUB 3,671 at an effective interest rate of 6.5% with a maturity of three months to one year).

As at 30 June 2014 subordinated debt amounted to MRUB 117 at an effective interest rate of 16% with maturity of one to five years (31 December 2013: MRUB 136 at an effective interest rate of 9.6% with 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 months ended 30 June 2014 MRUB (Unaudited)	6 months ended 30 June 2013 MRUB (Unaudited)
Interest income	(174)	(62)
Interest expense	(605)	(365)
Fee and commission income	934	2,986
(Loss)/gain from foreign exchange revaluation of financial assets and liabilities	(38)	119
Net gain/(loss) on spot transactions and derivatives	143	(150)
Gain from sale of loans	81	185
General administrative expenses	(466)	(328)
	<u>(125)</u>	<u>2,385</u>

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 Jun 2014	31 Dec 2013
	MRUB	MRUB
	(Unaudited)	
Cash and cash equivalents	7,168	2,655
Placements with banks and other financial institutions	-	20
Loans to customers	253	287
Positive fair value of derivative instruments	-	16
Property, equipment and intangible assets	225	534
Other assets	46	236
Debt securities issued	(81)	(2,503)
Subordinated debt	(4,119)	(3,621)
Due to banks and other financial institutions	(7,219)	(7,774)
Current accounts and deposits from customers	(761)	(326)
Negative fair value of derivative instruments	(19)	(12)
Other liabilities	(121)	(117)
	<u>(4,628)</u>	<u>(10,605)</u>

As at 30 June 2014 loans to customers shown above included loan origination agent fees paid totalling MRUB 253 which form an integral part of loans to customers and are to be amortised within 15 months (31 December 2013: MRUB 287 within 15 months).

The effective interest rate on debt securities issued shown above was 9.6% and maturity was one month to two years as at 30 June 2014 (31 December 2013: 7.4% and one month to five years respectively).

As at 30 June 2014 amounts due to banks and other financial institutions shown above included term deposits in the amount of MRUB 7,219 at an effective interest rate of 13.3% with maturity from one month to five years (31 December 2013: MRUB 7,774 at an effective interest rate 10.6% with maturity from one month to five years).

As at 30 June 2014 current accounts and deposits from customers included deposits of MRUB 109 at an effective interest rate of 8.0% with maturity of less than two years and other balances of MRUB 652 with maturity of less than one month (31 December 2013: a deposit of MRUB 123 at an effective interest rate of 8.0% with maturity of less than two years and other balances of MRUB 203 with maturity of less than one month).

As at 30 June 2014 subordinated debt amounts to MRUB 4,119 at an effective interest rate of 9.5% with maturity from one month to five years (31 December 2013: MRUB 3,621 at an effective interest rate 9.8% with 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 215 (six-month period ended 30 June 2013: MRUB 343) 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 Committee of the Control and Supervision ("the Committee of Control").

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Starting from 1 January 2014 the Bank has been calculating the amount of capital and capital adequacy ratios in accordance with the CBR requirements based on Basel III requirements, so comparative figures are not presented. As at 30 June 2014, this minimum level of core capital, primary capital and total capital to risk weighted assets was 5%, 5.5% and 10% respectively.

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

	30 June 2014
	MRUB
	(Unaudited)
Risk-weighted assets	<u>445,231</u>
Core capital	41,303
Primary capital	41,303
Additional capital	<u>19,824</u>
Total capital	<u>61,127</u>
Core capital adequacy ratio (%)	9.3%
Primary capital adequacy ratio (%)	9.3%
Total capital adequacy ratio (%)	13.7%

In 2013 the Bank had to maintain statutory capital ratio above the minimum level of 10%. As at 31 December 2013 it was equal to 14.7%.

Bank Home Credit (SB JSC) defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Committee of the Control and Supervision, banks in Kazakhstan have to maintain a ratio of tier I capital to total assets and total capital to risk weighted assets above the prescribed minimum levels. As at 30 June 2014, this minimum level of tier I capital to total assets was 5% and the minimum level of total capital to risk weighted assets was 10% (31 December 2013: 5% and 10% respectively).

The Group also calculates its capital adequacy in compliance with the methodology set out by the Bank of International Settlements (BIS). Tier I capital is represented by equity. 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 2014 and 31 December 2013 was as follows:

	30 Jun 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Risk weighted assets	307,271	333,241
Tier I capital	49,396	55,196
Tier II capital	23,443	22,992
Total capital	72,839	78,188
Tier I ratio	16.1%	16.6%
Capital Adequacy Ratio	23.7%	23.5%

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

30. Segment analysis

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

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
Six-month period ended					
30 June 2014					
(Unaudited)					
External interest income	4,968	6,468	27,354	1,939	40,729
Fee and commission income	2,385	2,106	5,429	393	10,313
Inter segment revenue	-	-	-	11,345	11,345
Total revenues	7,353	8,574	32,783	13,677	62,387
External interest expense	-	-	-	(13,614)	(13,614)
Inter segment interest expense	(1,574)	(1,169)	(8,799)	-	(11,542)
Inter segment other operating income, net	26	21	150	-	197
Fee and commission expense	(90)	(635)	(77)	(21)	(823)
Other operating income, net	(110)	-	223	220	333
Impairment losses	(3,567)	(5,784)	(17,610)	69	(26,892)
Total expenses	(5,315)	(7,567)	(26,113)	(13,346)	(52,341)
Segment profit	2,038	1,007	6,670	331	10,046
Six-month period ended					
30 June 2013					
(Unaudited)					
External interest income	6,007	4,451	30,811	1,773	43,042
Fee and commission income	2,994	1,719	10,408	190	15,311
Inter segment revenue	-	-	-	11,649	11,649
Total revenues	9,001	6,170	41,219	13,612	70,002
External interest expense	-	-	-	(13,347)	(13,347)
Inter segment interest expense	(1,707)	(727)	(9,306)	-	(11,740)
Inter segment other operating expense, net	13	6	72	-	91
Fee and commission expense	(62)	(334)	(139)	(74)	(609)
Other operating expense, net	7	-	4	110	121
Impairment losses	(3,816)	(2,024)	(16,111)	(24)	(21,975)
Total expenses	(5,565)	(3,079)	(25,480)	(13,335)	(47,459)
Segment profit	3,436	3,091	15,739	277	22,543

30. Segment analysis (continued)

Segment assets

MRUB	POS loans	Credit card loans	Cash loans	Other segments	Total
Carrying amount at 30 June 2014 (Unaudited)	51,177	39,378	154,823	49,252	294,630
Carrying amount at 31 December 2013	68,931	37,754	175,100	30,232	312,017

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

	6 months ended 30 June 2014 MRUB (Unaudited)	6 months ended 30 June 2013 MRUB (Unaudited)
Segment revenues	62,387	70,002
Inter segment revenue	(11,345)	(11,649)
Unallocated fee and comission income	133	148
Total revenues	51,175	58,501

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

	6 month period ended 30 June 2014 MRUB (Unaudited)	6 month period ended 30 June 2013 MRUB (Unaudited)
Segment profit for reportable segments	10,046	22,543
Unallocated fee and comission income	133	148
Unallocated fee and comission expense	(630)	(708)
Unallocated other operating income	45	742
Impairment losses	(447)	-
General administrative expenses	(13,912)	(13,022)
(Loss)/profit before tax	(4,765)	9,703

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

	30 Jun 2014 MRUB (Unaudited)	31 Dec 2013 MRUB
Total segment assets	294,630	312,017
Cash and cash equivalents (excluded from other segments)	17,696	27,755
Placements with banks and other financial institutions (excluded from other segments)	2,105	2,753
Property, equipment and intangible assets	11,872	12,470
Assets classified as held for sale	286	294
Investment in associate	70	163
Income tax assets	3,253	1,529
Other assets	2,588	1,953
Total assets	332,500	358,934

30. Segment analysis (continued)

(b) Geographical segments

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Six-month period ended 30 June 2014				
(Unaudited)				
External interest income	37,430	3,299	-	40,729
Fee and commission income	9,099	1,347	-	10,446
Inter segment revenue	140	-	(140)	-
Total revenues	46,669	4,646	(140)	51,175
External interest expense	(12,912)	(702)	-	(13,614)
Inter segment interest expense	-	(140)	140	-
Inter segment other operating expense, net	(296)	-	-	(296)
Fee and commission expense	(1,357)	(96)	-	(1,453)
Other operating income, net	1,896	87	(1,309)	674
Impairment losses	(25,851)	(1,488)	-	(27,339)
General administrative expenses	(12,341)	(1,571)	-	(13,912)
Total expenses	(50,861)	(3,910)	(1,169)	(55,940)
(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)

MRUB	Russian Federation	Kazakhstan	Eliminations	Total
Six-month period ended 30 June 2013				
(Unaudited)				
External interest income	40,708	2,334	-	43,042
Fee and commission income	13,994	1,465	-	15,459
Inter segment revenue	56	-	(56)	-
Total revenues	54,758	3,799	(56)	58,501
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	(1,211)	(106)	-	(1,317)
Other operating income, net	795	54	-	849
Impairment losses	(21,069)	(906)	-	(21,975)
General administrative expenses	(12,089)	(933)	-	(13,022)
Total expenses	(46,437)	(2,417)	56	(48,798)
Profit before tax	8,321	1,382	-	9,703
Income tax benefit/(expense)	(1,845)	(318)	-	(2,163)
Profit for the period	6,476	1,064	-	7,540

30. Segment analysis (continued)

Segment assets

MRUB

Carrying amount at
30 June 2014 (Unaudited)

Carrying amount at
31 December 2013

	Russian Federation	Kazakhstan	Eliminations	Total
Carrying amount at 30 June 2014 (Unaudited)	315,224	20,225	(2,949)	332,500
Carrying amount at 31 December 2013	338,359	24,729	(4,154)	358,934

Acting Chairman

D. Mosolov



Chief Financial Officer

I. Kolikova