

# **Home Credit and Finance Bank**

**Condensed Consolidated Interim Financial Statements  
for the nine month period ended 30 September 2007**

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## **Independent Auditors' Report**

To the Council of OOO Home Credit and Finance Bank

### **Report on Review of the Interim Financial Information**

#### *Introduction*

We have reviewed the accompanying condensed consolidated interim balance sheet of OOO "Home Credit & Finance Bank" (the "Bank") and its subsidiaries (the "Group") as at 30 September 2007, and the related condensed consolidated interim statements of income for the nine-month and three-month periods then ended and the statement of cash flows for the nine-month period then ended (the consolidated interim financial information). Management is responsible for the preparation and fair presentation of this 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 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 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 consolidated interim financial information as at 30 September 2007 and for the nine-month and three-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

#### *Emphasis of Matter*

Without qualifying our report, we draw attention to the fact that the corresponding figures for the nine-month and three-month periods ended 30 September 2006 are unreviewed.

ZAO KPMG  
27 November 2007

**Home Credit and Finance Bank**  
*Condensed Consolidated Interim Income Statement*  
*for the nine month period ended 30 September 2007*

	Note	9 months ended 30 Sep 2007 TRUB	9 months ended 30 Sep 2006 TRUB	3 months ended 30 Sep 2007 TRUB	3 months ended 30 Sep 2006 TRUB
Interest income	4	11,384,126	7,483,672	4,154,973	2,595,817
Interest expense	4	<u>(2,413,056)</u>	<u>(1,684,037)</u>	<u>(886,617)</u>	<u>(513,137)</u>
<b>Net interest income</b>		<b>8,971,070</b>	<b>5,799,635</b>	<b>3,268,356</b>	<b>2,082,680</b>
Fee and commission income	5	2,726,085	1,185,686	1,281,826	437,936
Fee and commission expense	6	<u>(271,916)</u>	<u>(122,426)</u>	<u>(91,867)</u>	<u>(63,303)</u>
<b>Net fee and commission income</b>		<b>2,454,169</b>	<b>1,063,260</b>	<b>1,189,959</b>	<b>374,633</b>
Other operating income/(expense), net	7	<u>91,194</u>	<u>(201,963)</u>	<u>99,095</u>	<u>(2,123)</u>
<b>Operating income</b>		<b>11,516,433</b>	<b>6,660,932</b>	<b>4,557,410</b>	<b>2,455,190</b>
Impairment losses	8	(5,096,366)	(3,583,932)	(1,705,259)	(1,349,910)
General administrative expenses	9	<u>(5,145,527)</u>	<u>(2,829,604)</u>	<u>(2,230,674)</u>	<u>(1,009,941)</u>
<b>Operating expenses</b>		<b><u>(10,241,893)</u></b>	<b><u>(6,413,536)</u></b>	<b><u>(3,935,933)</u></b>	<b><u>(2,359,851)</u></b>
<b>Profit before tax</b>		<b>1,274,540</b>	<b>247,396</b>	<b>621,477</b>	<b>95,339</b>
<b>Income tax expense</b>	10	<u>(359,736)</u>	<u>(63,754)</u>	<u>(162,481)</u>	<u>(22,581)</u>
<b>Net profit attributable to participants</b>		<b><u>914,804</u></b>	<b><u>183,642</u></b>	<b><u>458,996</u></b>	<b><u>72,758</u></b>

The condensed consolidated interim financial statements as set out on pages 4 to 25 were approved by the Board of Management on 27 November 2007.

Chairman of the Management Board

Lykov A.V.



Chief Financial Officer

Kolikova I.V.

*Home Credit and Finance Bank*  
*Condensed Consolidated Interim Balance Sheet*  
*as at 30 September 2007*

	Note	30 Sep 2007 TRUB	31 Dec 2006 TRUB
<b>ASSETS</b>			
Cash and cash equivalents	11	6,674,623	5,699,391
Placements with banks and other financial institutions	12	359,852	1,055,806
Loans to customers	13	47,455,699	31,780,630
Financial assets at fair value through profit or loss	14	1,144,436	1,041,509
Financial assets available for sale	15	297,621	-
Property, equipment and intangible assets	16	5,874,943	4,390,821
Investment in associate		-	1,855
Deferred tax asset		434,817	423,880
Current income tax receivable		123,819	29,509
Other assets	17	<u>1,308,187</u>	<u>963,045</u>
<b>Total assets</b>		<b>63,673,997</b>	<b>45,386,446</b>
 <b>LIABILITIES</b>			
Debt securities issued	18	(34,442,588)	(24,318,770)
Due to banks and other financial institutions	19	(11,657,047)	(6,803,288)
Current accounts and deposits from customers	20	(3,428,441)	(3,170,607)
Financial liabilities at fair value through profit or loss	21	(431,666)	(169,817)
Current income tax payable		(399,456)	(539,881)
Other liabilities	22	<u>(856,382)</u>	<u>(421,967)</u>
<b>Net assets attributable to participants</b>	23	<b><u>12,458,417</u></b>	<b><u>9,962,116</u></b>

**Home Credit and Finance Bank**  
*Condensed Consolidated Interim Statement of Cash Flows*  
*for the six month period ended 30 September 2007*

	Note	9 months ended 30 Sep 2007 TRUB	9 months ended 30 Sep 2006 TRUB
<b>Operating activities</b>			
Profit before tax		1,274,540	247,396
Adjustments for:			
Impairment losses	8	5,096,366	3,583,932
Net unrealised foreign exchange gain		(626,302)	(470,743)
Net accrued interest expense/(income)		551,011	(74,295)
Net accrued fee income		(579,838)	(52,400)
Depreciation and amortisation	9	256,602	127,176
Net loss on disposal of property, equipment and intangible assets		18,775	903
Net (gain)/loss on disposal of financial assets at fair value through profit or loss		(55,018)	13,127
Net gain on revaluation of financial assets at fair value through profit or loss		(5,468)	(18,272)
Net accrued general administrative expenses		<u>523,896</u>	<u>103,917</u>
<b>Net operating cash flow before changes in working capital</b>		<b>6,454,564</b>	<b>3,460,741</b>
Increase in loans to customers		(20,434,837)	(4,512,791)
Decrease/(increase) in placements with banks and other financial institutions		753,096	(1,043,766)
Decrease/(increase) in financial assets at fair value through profit or loss		346,406	(117,864)
Increase in financial assets available for sale		(194,938)	(1,008,749)
(Increase)/decrease in other assets		(392,538)	591,622
Increase/(decrease) in deposits from banks and other financial institutions		4,977,600	(506,471)
Increase in current accounts and deposits from customers		258,607	434,559
Increase/(decrease) in debt securities issued		10,421,546	(411,946)
Decrease in other liabilities		<u>(230,189)</u>	<u>(36,649)</u>
<b>Cash flows from operations</b>		<b>1,959,317</b>	<b>(3,151,314)</b>
Income taxes paid		<u>(631,121)</u>	<u>(149,382)</u>
<b>Cash flows from operating activities</b>		<b>1,328,196</b>	<b>(3,300,696)</b>
<b>Investing activities</b>			
Proceeds from sale of property and equipment		4,514	3,065
Additional contribution in the capital of associates		(1,000)	-
Acquisition of property, equipment and intangible assets		<u>(1,764,013)</u>	<u>(2,612,101)</u>
<b>Cash flows from investing activities</b>		<b>(1,760,499)</b>	<b>(2,609,036)</b>
<b>Financing activities</b>			
Proceeds from the issue of charter capital and other capital contributions		<u>1,500,000</u>	<u>706,350</u>
<b>Cash flows from financing activities</b>		<b>1,500,000</b>	<b>706,350</b>
Net increase/(decrease) in cash and cash equivalents		1,067,697	(5,203,382)
Cash and cash equivalents at 1 January	11	5,699,391	9,466,203
Foreign exchange effect on cash and cash equivalents		<u>(92,464)</u>	<u>(153,655)</u>
<b>Cash and cash equivalents at 30 September</b>	11	<b><u>6,674,623</u></b>	<b><u>4,109,166</u></b>

## 1. Description of the Group

Home Credit and Finance Bank (the “Bank”) was established in the Russian Federation as a Limited Liability Company and was granted its banking license in 1990.

### Registered office

317A Zelenograd  
 Moscow 124482  
 Russian Federation

Participants	Country of incorporation	Ownership interest (%)	
		30 Sep 2007	31 Dec 2006
Home Credit B.V.	The Netherlands	99.99	99.99
Chvatal Ladislav	-	0.01	0.01

The ultimate controlling entity is PPF Group N.V. registered in the Netherlands.

Consolidated subsidiaries	Country of incorporation	Ownership interest (%)	
		30 Sep 2007	31 Dec 2006
Infobos (LLC)	Russian Federation	100.00	100.00
Liko-Technopolis (LLC)	Russian Federation	100.00	100.00
Financial Innovations (LLC)	Russian Federation	100.00	100.00
Global Credit Bureau (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	-
Eurasia Credit Card Funding I S.A.	Luxemburg	see below	-

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

Associates	Country of incorporation	Ownership interest (%)	
		30 Sep 2007	31 Dec 2006
Global Credit Payment Services (LLC)	Russian Federation	50.00	50.00

### Council

### Board of Management

Smejč Jiri	Chairman	Lykov Andrei	Chairman
Bernshtam Eugene	Deputy Chairman	Mosolov Dmitri	Deputy Chairman
Stanek Stanislav	Member	Stanek Stanislav	Deputy Chairman
Dolezel Igor	Member		
Kolikova Irina	Member		

## **1. Description of the Group (continued)**

### **Principal activities**

The principal activity of the Bank and its subsidiaries (together referred to as the “Group”) is the provision of consumer finance products and banking services to private individual customers in the Russian Federation. The activities of the Group are regulated by the Central Bank of the Russian Federation (“the CBR”).

Since its acquisition by the Home Credit Group in 2002, the Bank has been focused on the provision of point-of-sale consumer finance services in the Russian Federation. In accordance with the Bank's set strategy based on evolving from being a pure consumer finance provider to becoming a lending centric retail bank it commenced diversification of its product portfolio and introduced new consumer banking products, such as revolving loans on plastic cards, cash loans, mortgages and car loans which are offered to existing and new customers throughout Russian Federation via different distribution channels: points-of-sale at retailers, branch office network and Russian Post branches. All loans currently issued by the Bank are issued with fixed rates.

### **Distribution network**

Since the Bank started developing the branch network in 2004, it has continued its regional expansion by opening new loan offices across the Russian Federation. As of 30 September 2007 the loan offices network comprised of 58 loan offices.

As of 30 September 2007, the Bank had established a distribution network comprised of the head office in Moscow, a branch in N.Novgorod, 80 representative offices and about 27,000 active points-of-sale at retailers which cover over 1,100 cities in 80 regions of the Russian Federation. The Bank plans to further expand its network of regional branches and additional offices in 2007.

## **2. Basis of preparation**

The condensed consolidated interim financial statements follow, in the context of measurement, all requirements of International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS), promulgated by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. 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 2006, as these condensed consolidated interim financial statements provide an update of previously reported financial information.

## **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 2006.

As at 1 January 2007, the Group adopted IFRS 7 “Financial Instruments: Disclosures” and the amendment to International Financial Reporting Standard IAS 1 “Presentation of Financial Statements”.

Application of the Standard and the amendment results in increased disclosure in respect of the Group's financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of the Group's capital. The Group will present such increased disclosures in the next full set of the consolidated financial statements of the Group.

#### 4. Interest income and interest expense

	<b>9 months ended 30 Sep 2007 TRUB</b>	<b>9 months ended 30 Sep 2006 TRUB</b>	<b>3 months ended 30 Sep 2007 TRUB</b>	<b>3 months ended 30 Sep 2006 TRUB</b>
<b>Interest income</b>				
Loans to individuals	11,068,988	7,065,063	4,057,329	2,485,841
Placements with banks and other financial institutions	187,008	273,290	48,392	62,900
Securities	79,242	107,729	31,312	32,210
Loans to corporations	48,888	37,590	17,940	14,866
	<u><b>11,384,126</b></u>	<u><b>7,483,672</b></u>	<u><b>4,154,973</b></u>	<u><b>2,595,817</b></u>
<b>Interest expense</b>				
Debt securities issued	1,905,566	1,358,224	721,011	441,997
Due to banks and other financial institutions	497,523	324,764	156,069	70,981
Current accounts and deposits from customers	9,967	1,049	9,537	159
	<u><b>2,413,056</b></u>	<u><b>1,684,037</b></u>	<u><b>886,617</b></u>	<u><b>513,137</b></u>

## 5. Fee and commission income

	<b>9 months ended 30 Sep 2007 TRUB</b>	<b>9 months ended 30 Sep 2006 TRUB</b>	<b>3 months ended 30 Sep 2007 TRUB</b>	<b>3 months ended 30 Sep 2006 TRUB</b>
Contractual penalties from customers	1,048,161	147,001	553,158	64,535
Insurance agent commissions	671,805	82,451	384,621	27,978
Fees from retailers	475,095	682,489	154,085	251,506
Cash operations	416,320	261,052	145,575	89,546
Customer payment processing and account maintenance	81,121	1,265	34,180	172
Other	33,583	11,428	10,207	4,199
	<u><b>2,726,085</b></u>	<u><b>1,185,686</b></u>	<u><b>1,281,826</b></u>	<u><b>437,936</b></u>

## 6. Fee and commission expense

	<b>9 months ended 30 Sep 2007 TRUB</b>	<b>9 months ended 30 Sep 2006 TRUB</b>	<b>3 months ended 30 Sep 2007 TRUB</b>	<b>3 months ended 30 Sep 2006 TRUB</b>
Cash transactions	241,960	86,012	79,042	775
Payment processing and account maintenance	13,487	33,731	5,533	61,703
Other	16,469	2,683	7,292	825
	<u><b>271,916</b></u>	<u><b>122,426</b></u>	<u><b>91,867</b></u>	<u><b>63,303</b></u>

## 7. Other operating income/(expense), net

	<b>9 months ended 30 Sep 2007 TRUB</b>	<b>9 months ended 30 Sep 2006 TRUB</b>	<b>3 months ended 30 Sep 2007 TRUB</b>	<b>3 months ended 30 Sep 2006 TRUB</b>
Net gains/(losses) from operations with securities	60,486	5,145	(22,048)	37,171
Net foreign exchange income/(expense)	10,266	(204,524)	124,566	(22,096)
Other	20,442	(2,584)	(3,423)	(17,198)
	<b><u>91,194</u></b>	<b><u>(201,963)</u></b>	<b><u>99,095</u></b>	<b><u>(2,123)</u></b>

## 8. Impairment losses

	<b>9 months ended 30 Sep 2007 TRUB</b>	<b>9 months ended 30 Sep 2006 TRUB</b>	<b>3 months ended 30 Sep 2007 TRUB</b>	<b>3 months ended 30 Sep 2006 TRUB</b>
Loans to customers	5,098,537	3,589,396	1,705,259	1,362,237
Other assets	(2,171)	(5,464)	-	(12,327)
	<b><u>5,096,366</u></b>	<b><u>3,583,932</u></b>	<b><u>1,705,259</u></b>	<b><u>1,349,910</u></b>

## 9. General administrative expenses

	<b>9 months ended 30 Sep 2007 TRUB</b>	<b>9 months ended 30 Sep 2006 TRUB</b>	<b>3 months ended 30 Sep 2007 TRUB</b>	<b>3 months ended 30 Sep 2006 TRUB</b>
Employee compensation	2,000,435	1,014,528	848,366	427,952
Communications and information services	970,282	693,534	433,309	196,267
Occupancy	415,889	183,512	145,577	61,053
Professional services	375,047	108,930	126,959	78,361
Payroll related taxes	367,087	226,891	199,552	74,364
Taxes other than income tax	326,764	205,545	211,061	51,494
Depreciation and amortisation	256,602	127,176	101,713	43,259
Advertising and marketing	116,986	80,983	37,640	23,262
Travel expenses	86,374	49,195	43,946	16,683
Repairs and maintenance	64,167	45,754	24,751	13,308
Other	165,894	93,556	57,800	23,938
	<u><b>5,145,527</b></u>	<u><b>2,829,604</b></u>	<u><b>2,230,674</b></u>	<u><b>1,009,941</b></u>

## 10. Income tax expense

	<b>9 months ended 30 Sep 2007 TRUB</b>	<b>9 months ended 30 Sep 2006 TRUB</b>	<b>3 months ended 30 Sep 2007 TRUB</b>	<b>3 months ended 30 Sep 2006 TRUB</b>
Current tax expense - current period	(400,734)	(153,761)	(400,734)	(153,758)
Current tax expense - overprovided in previous periods	4,325	3,549	232	69
Deferred tax benefit	36,673	86,458	238,021	131,108
	<b><u>(359,736)</u></b>	<b><u>(63,754)</u></b>	<b><u>(162,481)</u></b>	<b><u>(22,581)</u></b>
<b>Reconciliation of effective tax rate</b>				
	<b>9 months ended 30 Sep 2007 TRUB</b>	<b>9 months ended 30 Sep 2006 TRUB</b>	<b>3 months ended 30 Sep 2007 TRUB</b>	<b>3 months ended 30 Sep 2006 TRUB</b>
<b>Profit before tax</b>	<b><u>1,274,540</u></b>	<b><u>247,396</u></b>	<b><u>621,477</u></b>	<b><u>95,339</u></b>
Income tax using the applicable tax rate (24%)	(305,890)	(59,375)	(149,155)	(22,881)
Net non-deductible costs	(60,320)	(19,875)	(14,965)	(3,132)
Effect of income taxed at lower tax rates	2,149	11,947	1,407	3,363
Overprovided in previous periods	4,325	3,549	232	69
	<b><u>(359,736)</u></b>	<b><u>(63,754)</u></b>	<b><u>(162,481)</u></b>	<b><u>(22,581)</u></b>

## 11. Cash and cash equivalents

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Placements with banks and other financial institutions due within one month	5,791,205	4,341,146
Nostro accounts with the CBR	495,695	1,000,862
Cash	387,723	357,383
	<u><b>6,674,623</b></u>	<u><b>5,699,391</b></u>

## 12. Placements with banks and other financial institutions

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Minimum reserve deposit with the CBR	262,055	93,388
Term deposits with banks and other financial institutions due after one month	97,797	962,418
	<u><b>359,852</b></u>	<u><b>1,055,806</b></u>

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

## 13. Loans to customers

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Consumer loans	25,621,694	23,125,856
Credit card loans	19,437,603	11,736,509
Cash loans	6,092,508	1,821,494
Mortgage loans	2,476,919	38,780
Loans to corporations	652,369	28,723
Car loans	273,151	-
Accumulated impairment losses	(7,098,545)	(4,970,732)
	<u><b>47,455,699</b></u>	<u><b>31,780,630</b></u>

The Group considers loans which are contractually overdue for more than 90 days to be non-performing (NPL). As of 30 September 2007 total non-performing loans amounted to TRUB 7,179,037 (31 December 2006: TRUB 5,203,158). The Group created provisions for non-performing loans of 73.7% (31 December 2006: 69.4%). Performing loans are provided for at a rate 3.8% (31 December 2006: 4.3%).

### 13. Loans to customers (continued)

#### Analysis of movements in accumulated impairment losses

	<b>9 months ended 30 Sep 2007 TRUB</b>	<b>9 months ended 30 Sep 2006 TRUB</b>
Balance at 1 January	4,970,732	3,811,725
Impairment losses recognised in the income statement	5,098,537	3,589,396
Amount related to loans written off	<u>(2,970,724)</u>	<u>(2,722,682)</u>
<b>Balance at 30 September</b>	<b><u>7,098,545</u></b>	<b><u>4,678,439</u></b>

#### NPLs and their provision coverage by product classes

	<b>30 September 2007</b>		<b>31 December 2006</b>	
	<b>NPLs TRUB</b>	<b>Provision coverage %</b>	<b>NPLs TRUB</b>	<b>Provision coverage %</b>
Consumer loans	4,579,052	95	4,171,330	93
Credit card loans	2,056,897	96	1,001,529	100
Cash loans	542,351	142	30,299	245
Car loans	737	1,828	-	n/a
Mortgage loans	-	n/a	-	n/a
<b>Total</b>	<b><u>7,179,037</u></b>	<b><u>99</u></b>	<b><u>5,203,158</u></b>	<b><u>96</u></b>

Loan and receivables overdue over one year where further collection procedures are economically unfeasible are written off. The amount of loans written off during the nine month period ended 30 September 2007 totalled to TRUB 2,970,724 (nine months period ended 30 September 2006: TRUB 2,722,682).

The Group has estimated the impairment on loans to customers in accordance with the accounting policy as described in the consolidated financials statements as of 31 December 2006. Changes in collection estimates could affect the impairment losses recognised. For example, to the extent that estimated future cash flows of loans differs by plus/minus one per cent., the loan impairment as of 30 September 2007 would be approximately TRUB 474,557 higher/lower (31 December 2006: TRUB 317,806).

The Group only commenced its mortgage lending in the 4th quarter of 2006 and thus has very limited own historical data on which to base a collective provision. Management consider that the Group's mortgage portfolio is representative of that of the Russian mortgage market and on a portfolio basis would have the same interest impairment expense. Accordingly they have based their collective provision of 0.2 % on the expected market losses. As the Group's portfolio develops, management will review this and adjust to the Group's individual characteristics as necessary.

The Group only commenced its car lending in the 1st quarter of 2007 and thus has very limited own historical data on which to base a collective provision. Management consider that the Group's car portfolio is representative of that of the Russian car market and on a portfolio basis would have the same interest impairment expense. Accordingly they have based their collective provision of 5% on the expected market losses. As the Group's portfolio develops, management will review this and adjust to the Group's individual characteristics as necessary.

### 13. Loans to customers (continued)

As at 30 September 2007 consumer loans with the total carrying amount of TRUB 4,848,566 (31 December 2006: TRUB 4,527,318) were collateralised in relation to the notes issued by the Eurasia Structured Finance No.1 S.A. as a part of consumer loan securitisation transaction (refer to Note 18). Eurasia Structured Finance No.1 S.A. can not sell or repledge these consumer loans to other parties save for the obligation of the Bank to repurchase ineligible consumer loans.

As at 30 September 2007 credit cards with the total carrying amount of TRUB 7,231,483 (31 December 2006: none) were collateralised by Eurasia Credit Card Company S.A. in relation to the notes issued by the Eurasia Credit Card Funding I S.A. as a part of credit card securitisation transaction (refer to Note 18). Eurasia Credit Card Company S.A. can not sell or repledge these credit card receivables (unless the enforcement event contemplated by the relevant credit cards document occurs) to other parties save for the obligation of the Bank to repurchase ineligible receivables.

The Group charges customers for overdue payments on credit cards or loans. Since August 2006 penalties are charged first prior to principal, interest and fees. The Group recognises the penalties in the consolidated income statement only when these penalties are actually collected.

The Bank provides consumer loans for the purchase of household goods, including, but not limited to: household appliances, consumer electronics, computer hardware, mobile phones, furniture and gardening equipment. As at 30 September 2007 the average size of consumer loans was TRUB 11 and the average term was 11 months (as at 31 December 2006: TRUB 10 and 9 months respectively). The Bank's credit cards are generally issued for 3 years and have a credit limit of up to TRUB 40 and require a minimum monthly payment of 5% of the credit limit on the respective credit card. As at 30 September 2007 cash loans are granted in average for 18 months and average size about TRUB 25 (31 December 2006: TRUB 16 and 19 months respectively). As at 30 September 2007 the average loan-to-value ratio for mortgage loans is 63% and average size about TRUB 3,400 (as at 31 December 2006: 74% and TRUB 3,500 respectively).

**The geographical concentration of the loan portfolio is as follows:**

	30 September 2007		31 December 2006	
	Moscow TRUB	Regions TRUB	Moscow TRUB	Regions TRUB
Consumer loans	1,260,892	24,360,802	1,418,730	21,707,126
Credit card loans	6,472,086	12,965,517	2,431,411	9,305,098
Cash loans	506,788	5,585,720	90,880	1,730,614
Mortgage loans	2,003,254	473,665	38,780	-
Loans to corporations	652,369	-	28,723	-
Car loans	12,233	260,918	-	-
Accumulated impairment losses	(937,174)	(6,161,371)	(450,837)	(4,519,895)
	<b><u>9,970,448</u></b>	<b><u>37,485,251</u></b>	<b><u>3,557,687</u></b>	<b><u>28,222,943</u></b>

## 14. Financial assets at fair value through profit or loss

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Debt securities	699,690	1,017,558
Positive fair value of derivative instruments	418,150	23,951
Equity securities	26,596	-
	<u><b>1,144,436</b></u>	<u><b>1,041,509</b></u>

## 15. Financial assets available for sale

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Equity securities	297,621	-
	<u><b>297,621</b></u>	<u><b>-</b></u>

## 16. Property, equipment and intangible assets

### (a) Intangible assets

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Cost	330,268	296,753
Accumulated amortisation	(29,287)	(21,557)
Net book value	<u><b>300,981</b></u>	<u><b>275,196</b></u>

### (b) Property and equipment

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Cost	6,387,632	4,920,228
Accumulated depreciation	(813,670)	(804,603)
Net book value	<u><b>5,573,962</b></u>	<u><b>4,115,625</b></u>

## 17. Other assets

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Settlements with suppliers	780,737	736,554
Accrued income	319,969	55,423
Prepaid expenses	97,744	86,747
Materials, supplies and inventories	62,872	43,253
Taxes other than income tax	16,665	10,025
Other	30,200	33,214
Accumulated impairment losses	-	(2,171)
	<b><u>1,308,187</u></b>	<b><u>963,045</u></b>

## 18. Debt securities issued

	<b>Maturity/ optionality</b>	<b>Interest rate</b>	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
			<b>TRUB</b>	<b>TRUB</b>
Loan participation notes issue 1 of TUSD 150,000	February 2008	Fixed, 9.125%	3,777,350	4,062,347
Loan participation notes issue 2 of TUSD 275,000	June 2008	Fixed, 8.625%	6,982,243	7,516,817
Unsecured RUB bond issue 3 of TRUB 3,000,000	September 2010/ Put, September 2008	Variable, 9.450%	3,007,535	3,002,039
Unsecured RUB bond issue 4 of TRUB 3,000,000	October 2011/ Put, October 2008	Variable, 9.950%	3,050,251	3,043,881
Unsecured RUB bond issue 2 of TRUB 3,000,000	May 2010/ Put, May 2009	Variable, 9.250%	2,777,495	2,433,013
Loan participation notes issue 3 of TUSD 200,000	April 2010	Fixed, 9.500%	5,144,808	-
Class A1 consumer loans receivables backed notes of TEUR 100,000	May 2012/ Call, May 2010	Floating, 1M Euribor plus 2.500%	3,453,765	3,366,872
Class A2 consumer loans receivables backed notes of TEUR 13,500	May 2012/ Call, May 2010	Floating, 1M Euribor plus 5.250%	466,966	455,365
Class B consumer loans receivables backed notes of TEUR 13,000	May 2012/ Call, May 2010	Floating, 1M Euribor plus 5.000%	449,610	438,436
Credit card receivables backed notes of TRUB 5,350,000	March 2014	Floating, 1M MOSPRIME plus 1.800%	5,332,565	-
			<b><u>34,442,588</u></b>	<b><u>24,318,770</u></b>

## **18. Debt securities issued (continued)**

The USD denominated loan participation notes 1 were issued by the Group in February 2005 through Eurasia Capital S.A. (refer to Note 1). The proceeds from the issue were deposited with a fiduciary bank which used the amount to grant an unsecured loan to the Bank.

The USD denominated loan participation notes 2 were issued by the Group in June 2005 through Eurasia Capital S.A. (refer to Note 1). The proceeds from the issue were used to grant an unsecured loan to the Bank.

The RUB denominated bonds 3 were issued by the Group in September 2005 with a fixed coupon rate valid for the subsequent eighteen months. Coupon rates for the subsequent eighteen month period were reset by the Group in March 2007. A portion of the RUB bonds 2 were repurchased at par in March 2007. Some of repurchased bonds were subsequently sold by the Group on the open market. Bondholders are entitled to require early redemption of the bond issue at par in September 2008.

The RUB denominated bonds 4 were issued by the Group in October 2006 with a fixed coupon rate valid for the subsequent twenty four months. Coupon rates for the subsequent period (or periods) and the maturity of the period (or periods) will be set by the Group in October 2008. Bondholders are entitled to require early redemption of the bond issue at par in October 2008.

The RUB denominated bonds 2 were issued by the Group in May 2005 with a fixed coupon rate valid for the subsequent twelve months. Coupon rates were reset by the Group for the subsequent twelve month period and twenty four month period in May 2006 and in May 2007 respectively. A portion of the RUB bonds 2 were repurchased at par in May 2007. Some of repurchased bonds were subsequently sold by the Group on the open market. Bondholders are entitled to require early redemption of the bond issue at par in May 2009.

The USD denominated loan participation notes 3 were issued by the Group in April 2007 through Eurasia Capital S.A. (refer to Note 1). The proceeds from the issue were used to grant an unsecured loan to the Bank.

The EUR denominated consumer loan receivables backed notes were issued by the Group in December 2005 through Eurasia Structured Finance No.1 S.A. (refer to Note 1). Coupon rates are set on a monthly basis based on the EURIBOR rate. The notes can be redeemed in full at the option of Eurasia Structured Finance No.1 S.A. at par in May 2010.

The RUB denominated credit card receivables backed notes were issued by the Group in August 2007 through Eurasia Credit Card Funding I S.A. and Eurasia Credit Card Company S.A. (refer to Note 1). Coupon rates are set on a monthly basis based on the MOSPRIME rate. The notes will be redeemed in full by Eurasia Credit Card Company S.A. at par in March 2014.

Eurasia Capital S.A., Eurasia Structured Finance No.1 S.A., Eurasia Credit Card Company S.A. and Eurasia Credit Card Funding I S.A. are SPEs established by the Group with the primary objective of raising finance through the issuance of debt securities and securitising part of Group's consumer loan and credit card portfolio. These SPEs are controlled by the Group through the predetermination of the activities of SPEs, having rights to obtain the majority of benefits of the SPEs, and retaining the majority of the residual risks related to the SPEs.

## 19. Due to banks and other financial institutions

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Syndicated loans	9,347,412	-
Subordinated loans	899,472	928,424
Term deposits	790,000	399,000
Other unsecured loans	24,363	5,438,025
Other balances	595,799	37,839
	<u>11,657,047</u>	<u>6,803,288</u>

Included in syndicated loans above is exposure to two counterparties exceeding 10% of net assets attributable to participants totalling TRUB 3,545,102 TRUB (31 December 2006: included in other unsecured loans is exposure to three counterparties totalling TRUB 5,415,098).

## 20. Current accounts and deposits from customers

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Current accounts and demand deposits	3,418,415	3,162,392
Term deposits	10,026	8,215
	<u>3,428,441</u>	<u>3,170,607</u>

## 21. Financial liabilities at fair value through profit or loss

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Negative fair value of derivative instruments	431,666	169,817
	<u>431,666</u>	<u>169,817</u>

## 22. Other liabilities

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Accrued employee compensation	407,837	51,181
Settlements with suppliers	370,655	296,120
Other taxes payable	58,485	39,589
Other	19,405	35,077
	<u>856,382</u>	<u>421,967</u>

### 23. Net assets attributable to participants

	<b>Charter capital TRUB</b>	<b>Other capital contributions TRUB</b>	<b>Revaluation reserve TRUB</b>	<b>Retained earnings TRUB</b>	<b>Total TRUB</b>
Balance as of 31 December 2006	4,405,707	4,630,585	-	925,824	9,962,116
Contributions by owners	-	1,500,000	-	-	1,500,000
Revaluation of financial assets available for sale	-	-	81,497	-	81,497
Net profit attributable to participants	-	-	-	914,804	914,804
<b>Balance as of 30 September 2007</b>	<b>4,405,707</b>	<b>6,130,585</b>	<b>81,497</b>	<b>1,840,628</b>	<b>12,458,417</b>

Revaluation of financial assets available for sale above is shown net of deferred tax effect of TRUB 25,736.

## 24. Financial instruments

### Liquidity risk

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The following table shows assets and liabilities by expected cash flows.

TRUB	30 September 2007						31 December 2006						Total	
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity		
<b>Assets</b>														
Cash and cash equivalents	6,674,623	-	-	-	-	-	6,674,623	5,699,391	-	-	-	-	-	5,699,391
Placements with banks and other financial institutions	97,797	-	-	-	-	262,055	359,852	324,325	40,989	690,492	-	-	-	1,055,806
Loans to customers	6,881,582	12,107,392	19,822,718	6,969,663	1,674,344	-	47,455,699	5,372,055	9,165,704	14,848,413	2,394,458	-	-	31,780,630
Financial assets at fair value through profit or loss	25,925	216,846	468,669	308,901	97,500	26,595	1,144,436	3,732	2,371	446,302	589,104	-	-	1,041,509
Financial assets available for sale	-	-	-	-	-	297,621	297,621	-	-	-	-	-	-	-
Property, equipment and intangible assets	-	-	-	-	-	5,874,943	5,874,943	-	-	-	-	-	4,390,821	4,390,821
Investment in associate	-	-	-	-	-	-	-	-	-	-	-	-	1,855	1,855
Deferred tax asset	-	-	-	-	-	434,817	434,817	-	-	-	-	-	423,880	423,880
Current income tax receivable	-	-	123,819	-	-	-	123,819	-	-	29,509	-	-	-	29,509
Other assets	319,969	-	925,346	-	-	62,872	1,308,187	55,423	-	479,337	-	-	428,285	963,045
<b>Total assets</b>	<b>13,999,896</b>	<b>12,324,238</b>	<b>21,340,552</b>	<b>7,278,564</b>	<b>1,771,844</b>	<b>6,958,903</b>	<b>63,673,997</b>	<b>11,454,926</b>	<b>9,209,064</b>	<b>16,494,053</b>	<b>2,983,562</b>	<b>-</b>	<b>5,244,841</b>	<b>45,386,446</b>
<b>Liabilities</b>														
Debt securities issued	363,863	251,878	13,606,962	14,939,858	5,280,027	-	34,442,588	571,039	2,994,753	-	20,752,978	-	-	24,318,770
Due to banks and other financial institutions	950,194	70,000	9,737,381	-	899,472	-	11,657,047	478,281	-	5,396,583	-	928,424	-	6,803,288
Current accounts and deposits from customers	3,421,456	1,793	5,192	-	-	-	3,428,441	3,163,379	3,149	4,079	-	-	-	3,170,607
Financial liabilities at fair value through profit or loss	96,780	39,720	295,166	-	-	-	431,666	30,888	23,661	115,268	-	-	-	169,817
Current income tax payable	-	-	399,456	-	-	-	399,456	-	-	539,881	-	-	-	539,881
Other liabilities	317,459	-	538,923	-	-	-	856,382	52,398	-	369,569	-	-	-	421,967
<b>Total liabilities</b>	<b>5,149,752</b>	<b>363,391</b>	<b>24,583,080</b>	<b>14,939,858</b>	<b>6,179,499</b>	<b>-</b>	<b>51,215,580</b>	<b>4,295,985</b>	<b>3,021,563</b>	<b>6,425,380</b>	<b>20,752,978</b>	<b>928,424</b>	<b>-</b>	<b>35,424,330</b>
Net assets attributable to participants	-	-	-	-	-	12,458,417	12,458,417	-	-	-	-	-	9,962,116	9,962,116
<b>Net position</b>	<b>8,850,144</b>	<b>11,960,847</b>	<b>(3,242,528)</b>	<b>(7,661,294)</b>	<b>(4,407,655)</b>	<b>(5,499,514)</b>	<b>-</b>	<b>7,158,941</b>	<b>6,187,501</b>	<b>10,068,673</b>	<b>(17,769,416)</b>	<b>(928,424)</b>	<b>(4,717,275)</b>	<b>-</b>
<b>Cummulative net position</b>	<b>8,850,144</b>	<b>20,810,991</b>	<b>17,568,463</b>	<b>9,907,169</b>	<b>5,499,514</b>	<b>-</b>	<b>-</b>	<b>7,158,941</b>	<b>13,346,442</b>	<b>23,415,115</b>	<b>5,645,699</b>	<b>4,717,275</b>	<b>-</b>	<b>-</b>

## 25. Commitments

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

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Credit card commitments	12,543,202	9,040,338
Consumer loan commitments	932,612	1,351,113
Undrawn overdraft facilities	73,100	1,222,827
	<u><b>13,548,914</b></u>	<u><b>11,614,278</b></u>

The total outstanding contractual commitments to extend credit indicated above represents future cash requirements, though some of these commitments may expire or terminate without being funded.

## 26. Contingencies

### (a) Litigation

#### (i) *Consumer protection laws in Russia*

The Russian Federation does not have legislation specifically regulating consumer lending or loan collection. In a recent court dispute between the Bank and the Russian Consumer Protection Service, the Federal Arbitration Court of the Urals Region held that a bank may not: (a) charge a fee to a borrower for the opening of loan accounts with the lending bank as a pre requisite for providing the loan; or (b) charge any prepayment or late payment penalties. This decision was not yet considered by the Russian Supreme Arbitration Court, to whom the Bank appealed, which, if upheld, may affect the validity of account opening commissions, late payment and prepayment penalties or may lead to the Bank's customers to make claims to have refunded such commissions or penalties previously paid to the Bank, which would adversely affect the Bank's business, financial condition, results of operations or prospects. The Bank amended its standard form consumer lending loan agreements to comply with this decision.

The Group's management have made an assessment of the situation above and consider that in the Russian environment the costs of making claims to have previous commission and penalties refunded for individuals and the potential uncertainty of the legal outcome would outweigh the benefits of making the claims. Consequently management consider the likelihood of a future material outflow of funds is remote and accordingly no provision has been made in these financial statements in respect of the above.

#### (ii) *Labour disputes*

Under Russian labour law, the company shall provide its employees in Far Northern regions of Russia with additional benefits, in particular, each salary payment shall be adjusted by governmentally determined factors. When the Bank calculated salaries to its employees of regional representative offices located in Far Northern regions of Russia such as Archangelsk, Irkutsk and Murmansk, it did not fully comply with the application of this law requirements: the Bank only included these factors increase in base salary compensation, whereas they should have been applied to the overall compensation package.

As of 30 September 2007 HCFB had claims from its employees totalling TRUB 3,784 pending resolution in the court. The Group's management created a provision for the full amount of such claims in these financial statements.

## 26. Contingencies (continued)

In November 2006, the Bank fully complied with the labour legislation. However, in the future new claims may arise in respect of the past periods of non-compliance. The Group's management assesses the likelihood of new claims to be remote as many of potential plaintiffs are still the Bank's employees and the management believes that it was paying compensation at market levels. No provisions were created in respect of these potential claims.

### (b) 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 substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## 27. Operating leases

The Group leases a number of premises and equipment under operating lease. 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:

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
Less than one year	622,392	272,024
Between one and five years	1,574,314	300,362
More than five years	<u>271,210</u>	<u>40,365</u>
	<b><u>2,467,916</u></b>	<b><u>612,751</u></b>

During the nine month period ended 30 September 2007 TRUB 415,889 (nine month period ended 30 September 2006: TRUB 183,512) was recognised as an expense in the income statement in respect of operating leases.

## 28. Capital management

The Group's lead regulator Central Bank of Russia sets and monitors capital requirements for both the Bank and the Group as a whole.

In implementing current capital requirements CBR requires the Group to maintain the ratio of total capital to total risk-weighted assets at or above the minimum level of 10%. The ratio is calculated based on financial statements prepared in accordance with Russian Banking Accounting Standards (RBAS) and the risk weighting is determined in accordance with CBR's credit risk ratios specific for individual classes of assets.

## 28. Capital management (continued)

The Group also operates its capital adequacy in compliance with the methodology set out by the BIS, using the definition of capital adopted by the CBR. Tier I capital is represented by the Group's net assets attributable to participants, Tier II capital is represented by subordinated loans, up to the limit of 50% of Tier I capital as presented in these IFRS financial statements. In connection with the USD denominated loan participation notes described in Note 18 the Group covenants to maintain its Tier I capital adequacy ratio at or above the minimum level of 15%.

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

	<b>30 Sep 2007</b>	<b>31 Dec 2006</b>
	<b>TRUB</b>	<b>TRUB</b>
<b>Risk weighted assets</b>	<b>63,255,335</b>	<b>45,935,918</b>
Tier I capital	12,458,417	9,962,116
Tier II capital	<u>873,226</u>	<u>921,589</u>
<b>Total capital</b>	<b><u>13,331,643</u></b>	<b><u>10,883,705</u></b>
Tier I ratio	19.7%	21.7%
Capital Adequacy Ratio	21.1%	23.7%