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**PRESS RELEASE**

## **Home Credit Group continues to expand: principal granted increased by 113% in H1 2005**

**Prague, July 26, 2005 - Home Credit Group has leading positions in all of its key markets i.e. the Czech Republic, Slovakia and the Russian Federation. The amount of the principal granted by all three Home Credit Group companies grew to a record CZK 20 billion during the first six months of 2005, which is a 113% increase compared to H1 2004.**

The first six months of 2005 have seen a major success in the development of the companies within the Home Credit Group, i.e. Home Credit Finance (HCF), Home Credit Slovakia (HCS), and Home Credit and Finance Bank (HCFB). These companies offer consumer finance products in Central and Eastern Europe. The group financed consumer purchases totalling CZK 20 billion in H1 2005, which is the highest amount ever recorded during the first half of a year. The volume of principal extended grew by 113% compared to the same period of 2004.

“This success confirms the strength of Home Credit’s business model – offering fast and easily accessible credit products through a wide network of distribution channels, focussing on long-term profitability and benefiting from the strong financial support of the PPF group,” said Ladislav Chvatal, member of the Board of Directors and Executive Director for retail banking and consumer finance in PPF, commenting on the H1 results. “This allows us to sustain long-term dynamic growth. As our business model has worked well in three countries to date, we decided to expand into new markets. Preparations to launch Home Credit operations have been underway in both Ukraine and Kazakhstan, countries with a combined population of 65 million. We are also prepared to expand our business in other countries in Eastern and Southern Europe,” adds Chvatal.

The success achieved so far proves that Home Credit companies are the leaders in its key markets: the Czech Republic, Slovakia and Russia. During H1 2005, the group offered its products and services at nearly 23,700 points of sale in all three countries combined, an increase of 20% compared to the end-2004.

Home Credit and Finance Bank has been operating in the consumer loan market in Russia since 2002. It has become the second-largest consumer finance company in Russia, controlling 33.5% of the point-of-sale credit market as of 30 June 2005 (company’s estimate).

During the first half of 2005, HCFB continued to expand in the Russian regions and has been actively building the distribution network which consisted of 12,700 retail stores across the Russian Federation as of June 2005. The number of regional offices more than doubled during the period and reached 56 as of H1 2005. As of June 2005, HCFB’s principal granted reached RUB 19.0 billion, growing by 184% year-on-year. “HCFB continues its rapid expansion into Russian regions where the demand for credit products has been permanently increasing. HCFB’s systems and technology, and highly qualified specialists allow the bank to react efficiently to changing market conditions, as well as to implement new credit products and programs for its clients. The first and second quarters of 2005 were stable periods of business for HCFB and for the whole consumer market. We expect the next seasonal consumer boom to occur before Christmas/New Year,” Mr. Andrey Lykov, the Chairman of HCFB Management Board, commented on the results. Over the course of the first six months of the year, the bank attracted 1.7 million new clients, compared to 0.6 million new clients in the same period of 2004. HCFB’s client database exceeded 5 million individuals as of 30 June 2005.

Home Credit Finance achieved similar success in the Czech Republic. The company financed purchases totalling CZK 3.19 billion in H1 2005, a 38% increase compared to the same period of 2004. HCF managed to extend the positive trend from November and December 2004; during the two months, HCF became a clear leader in the Czech consumer credit market. “In the first half of this year, the principal granted saw a 38% year-on-year increase, up from 14% in the same period of 2004. Consumer loans have shown the fastest growth rates in the company’s credit portfolio, contributing significantly to the overall business volumes,” said Milos Stibor, the CEO of Home Credit Finance, commenting on the increasing popularity of consumer credit in the Czech Republic.

The higher amount of principal extended to clients by HCF is accompanied by the growing number of contracts concluded; this stood at 186,000 in H1 2005 compared to 122,000 last year (a year-on-year increase of 53%). During H1 2005, HCF also celebrated its one millionth client. In its history, HCF has approved loans for nearly 1.12 million clients (as at June 30 2005). “In this context, I would like to stress that we did not record an increase in the number of clients who have problems with repayments of their debts. This has remained at an acceptable level, despite the fast



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growth in the number of contracts concluded. This is a result of our aim to provide credit in a responsible manner,” added Stibor.

Home Credit Slovakia financed consumer purchases totalling SKK 1.17 billion in the H1 2005, compared to SKK 1.19 billion in the same period last year. “Home Credit Slovakia has been undergoing a complex internal reorganisation this year. As a result, some activities related to revolving credit cards were postponed for the second half of 2005. However, the impact of the changes has become visible in some of the business activities of the company. For example, we have been very successful in granting one-off consumer loans in H1 2005; the principle granted grew by more than 40% compared to the same period last year. HCS has also managed to successfully launch activities of the Hele purchase alliance, which completes and extends our activities in the home appliances and consumer electronics market. Bearing this in mind, we remain optimistic for the second half of this year,” said Martin Vetyška, the Sales Director of Home Credit Slovakia.

### **Strong financial platform supports further growth**

Further dynamic growth is supported by a sound financial platform – all the Home Credit companies are 100% subsidiaries of PPF, the largest Czech investor with total assets under management of nearly CZK 200 billion.

In October 2004, HCFB placed the first issue of domestic bonds totalling RUB 1.5 billion.

This was followed by HCFB’s debut eurobond issue in February 2005: eurobonds worth US\$ 150 million were placed in the international markets. The issue was more than 1.5 times oversubscribed and attracted demand from nearly 50 international financial investors. Approximately 50% of the bonds have been taken up by investors in Asia and 50% in Europe. The transaction has a 3 year maturity and was priced to yield 9.125%. International rating agencies Moody’s and Standard & Poor’s rated the debut issue Ba3 and B-, respectively.

In May 2005, HCFB placed a RUB 3 billion bond issue in the Russian market. The bonds have a 5-year maturity with an embedded put option after 12 months, and a fixed coupon paid semi-annually. The first coupon rate was set at 8.5% p.a.; the coupon is reset at the anniversary of the issue date. The bond issue attracted strong interest and high quality demand from leading Russian investors and was nearly 1.5 times oversubscribed.

In June 2005, HCFB launched a US\$ 250 million eurobond issue. The bond issue was nearly twice oversubscribed and, in order to meet strong demand from investors, it was upsized to US\$ 275 million. The eurobond has a 3-year maturity and attracted strong interest and high quality demand from over 90 international investors. Approximately 30% of the issue has been taken by Asian investors, 12% by US off-shore investors and the rest was placed in Europe.

### **Credit ratings of Home Credit companies**

Home Credit and Finance Bank (Moody’s and S&P)

In December 2004, HCFB received Ba3 long-term foreign currency deposit rating from Moody’s Investor Service. According to the agency, the rating incorporates some degree of support from HCFB’s ultimate shareholder – the sound Czech financial group PPF. Standard & Poor’s assigned HCFB B- foreign currency long term rating also in December 2004. Both ratings carry stable outlook.

Home Credit Finance (CRA Rating Agency)

In November 2004, CRA Rating Agency, a Moody’s affiliate, assigned HCF a long-term credit rating of cza and short-term credit rating czP-2. The rating agency acknowledged HCF’s strong position in the revolving and consumer loan market in the Czech Republic, the wide and segmented distribution network, and the know-how gained in the consumer credit markets. Both ratings represent a relatively strong ability to service its obligations in due time and manner.

Home Credit Slovakia (CRA Rating Agency)



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Based on the activities of HCS and securing sound financing, CRA Rating Agency raised the long-term local rating to skA from skA– and confirmed the short-term rating at skP–2. The agency pointed out that HCS as a part of PPF, the strongest Czech non-banking financial group, receives the strategic support of the group. In December 2004, the equity of HCS was increased to SKK 100 million from SKK 40 million.

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*The PPF group belongs among the most important Czech financial investors with more than CZK 200 billion under management. The PPF group consists of Ceska pojistovna, Home Credit, eBanka, and companies specialized in complex asset management services. PPF is active in the Central and Eastern Europe region and owns many financial institutions which belong among leaders in their respective markets.*

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