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Press Release

Home Credit and Finance Bank, Russia:

IFRS consolidated results for the twelve-month period ended 31 December, 2016

Sustainable profitability against backdrop of growing business volumes

Moscow, 1 March 2017: Home Credit & Finance Bank ("HCFB" or 'the Bank"), announces the consolidated financial results of operations in Russia and Kazakhstan for the twelve-month period ended 31 December, 2016 in accordance with International Financial Reporting Standards (IFRS).

HCFB is rated by Fitch at B+. SB JSC Bank Home Credit (Kazakhstan), a 100% subsidiary of HCFB, is rated by Fitch at B+.

"In 2016 Home Credit delivered a solid result. We returned to profitability following years of losses due the adverse macro-economic environment. The results confirm the strength of our business model and the excellent work of our employees. We posted a profit thanks to our disciplined approach, which focused on increasing sales while reducing the level of non-performing loans to mid-single digits. The business also benefitted as the cost of funding has declined following a decrease in retail deposit rates. Our progress was recognised by both Moody's and Fitch ratings agencies which changed their HCFB outlook to stable.

The Russian economy has stabilized but real disposable incomes and retail sales are still under pressure. This means that we need to maintain our focus. We further strengthened the credit quality of our loan portfolio successfully acquiring lower-risk customers. As a result, both risk costs and the share of NPLs have significantly improved. In doing so, we continued to innovate our offerings and distribution networks. Home Credit Russia was voted the best internet bank according to the National Banking Awards 2016. Expanding our online presence meant that we were able to win new customers and improve efficiency thanks to the launch of new products and an increase in clients making online payments. Our non-branch sales now account for 30% of total sales. Simultaneously, we further expanded our leadership position in Point-of-Sale lending in Russia.

We achieved good results thanks to our ability to adapt and progress. With the restructuring completed we are now well positioned to further leverage our knowledge to grow the business."

Yuriy Andresov,
Chairman of the Management Board, HCFB

Home Credit returned to profitability in 2016 and posted a net profit of RUB 7.7 billion, due to the corrective measures taken and the stabilization of the macro environment. Over the last couple of years, the Group adapted to the challenging market environment by `right-sizing' its operations and restructuring its loan portfolio. The strength of the underlying business is underscored by the improved outlook to `stable' by the rating agencies Moody's and Fitch. This said, the consumer loans sector remained under pressure as real disposable income and retail sales declined, respectively 5.9% and 5.2% year on year.

Home Credit continued to manage its loan portfolio carefully and increased the use of external data for risk assessment procedures. This has led to an increase in the quality of new loans granted. The NPL level further improved to 6% from 13% a year ago and 16% in 2014. Over the period, the cost of funding decreased following a decline in retail deposits rates. General administrative expenses fell 10% y-o-y.

Creating a powerful internet bank and My credit app remained a priority. These efforts led to Home Credit Russia being voted the best internet bank according to the National Banking Awards 2016. The number of regular online users exceeded 1 million, representing 30% of active customers. A number of online and data solutions allowed for an increase in cross selling opportunities and improved efficiency as 20% of customers made online repayments.

The measures taken in Kazakhstan to re-align the business also resulted in a net profit increase, an achievement underpinned by the upgrade to B+ by Fitch.

HIGHLIGHTS

- **The Bank recorded net profit of RUB 7.7 billion for the twelve-month period of 2016,** a substantial turnaround from the RUB 8.8 billion net loss in 2015, illustrating the risk metrics improvement, cost of funding decrease, and a stabilized operational environment in Russia. The operations in Kazakhstan also continued to perform well.

- **Interest income fell 23.1% y-o-y to RUB 47.2 billion (FY 2015: RUB 61.4 billion)** reflecting the continued decrease in the retail portfolio year on year. Interest expenses dropped 40.4% y-o-y to RUB 18.4 billion (FY 2015: RUB 30.9 billion), driven by the continued decline of retail deposits interest rates.

- **In the twelve-month period of 2016, net interest income was RUB 28.8 billion, down 5.7% compared to RUB 30.5 billion a year earlier.**

- **Operating income for the reporting period fell 9.8% year on year to RUB 39.4 billion** (FY 2015: RUB 43.7 billion)**.**

- **HCFB achieved a net interest margin of 14.1% at the end of the reporting period** (FY 2015: 12.2%) mainly due to the runoff of retail deposits collected in early 2015.

- **General and administrative expenses were reduced 9.5% to RUB 18.5 billion, reflecting the Bank's strict cost management.** The cost-to-income ratio was 47.3% (FY 2015: 47.4%) and the cost-to-average-net-loans ratio was 11.0% during the reporting period (FY 2015: 10.0%).

- **Non-performing loans (NPLs) comprised 6.0% of total gross loans** (YE 2015: 13.0%)**,** as HCFB continued to prioritize risk-management and collection. The cost of risk of 6.5% by the end of the reporting period also proved the positive trend in terms of portfolio quality (FY 2015: 16.2%). Provision coverage of NPLs remains a healthy 137.2%.

- **Total assets arrived at RUB 237.6 billion, down 11.3% since the end of 2015.**

- **Net loans decreased 4.2% to RUB 170.9 billion at 31 December 2016** (YE 2015: RUB 178.4 billion)**, with RUB 186.5 billion new loans granted,** which is 11.6% up compared to the corresponding period of 2015 (FY 2015: RUB 167.2 billion).

- **HCFB reported RUB 30.6 billion in Cash, Cash equivalents and Placements with banks** (YE 2015: RUB 42.6 billion) **and an additional RUB 21.6 billion in a high-rated bond portfolio** (YE 2015: RUB 22.2 billion), which together comprised 22.0% of total assets at the end of the reporting period.

- **Customer deposit and current account balances were RUB 155.7 billion as at 31 December 2016, down 12.6% since the end of 2015.** The deposits outflow in the reporting period reflected lower deposit interest rate strategy of the Bank. Deposit and current account balances comprised 80.3% of the Bank's liabilities. The ratio of loans to deposits was 109.8% at the end of the reporting period, confirming the Bank´s continued use of customer deposits as a major funding source.

- **HCFB remains well-capitalised with a consolidated capital adequacy ratio of 27.1% at 31 December 2016** (YE 2015: 24.3%). The stand-alone capital adequacy ratio, based on standards set by the Central Bank of Russia, was 14.7% at the end of the reporting period.

- **HCFB served about 4.1 million active customers** through 294 bank branches, over 101,000 points of sale and loan offices, 216 post offices and 1,116 ATMs across Russia and Kazakhstan. The Bank's client base comprised 34.1 million customers at 31 December 2016.

FINANCIAL SUMMARY

Balance Sheet (RUB million)	YE 2016	YE 2015	Change %
Total assets	237,591	267,923	(11.3)
Net loan portfolio	170,945	178,418	(4.2)
Equity	43,797	39,654	10.4

Income Statement (RUB million)	2016	2015	Change %
Operating income	39,397	43,674	(9.8)
Profit / (Loss) before tax	9,716	(10,539)	-
Net profit / (loss)	7,745	(8,814)	-

KEY RATIOS

	2016, %	2015, %
Return on average assets (ROAA)[1]	3.2	(2.9)
Return on average equity (ROAE)[2]	19.1	(19.8)
Cost-to-income ratio[3]	47.3	47.4
Capital adequacy ratio	27.1	24.3
NPL[4]	6.0	13.0
Cost of risk[5]	6.5	16.2

1) RoAA is calculated as net profit for the period divided by average balance of total assets.
2) RoAE is calculated as net profit for the period divided by average balance of equity.
3) Cost-to-income ratio is calculated as general administrative expenses and impairment losses on non-financial assets divided by operating income.
4) NPL ratio is calculated as gross non-performing loans (loans which are contractually overdue for more than 90 days) divided by total gross loans.
5) Cost of risk represents impairment losses on loan portfolio for the period divided by average balance of net loans to customers.

For full details of HCFB's FY 2016 financial results, please visit: http://www.homecredit.net/.

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NOTES TO EDITORS

Home Credit & Finance Bank [Fitch B+] specialises in retail finance in Russia and Kazakhstan. HCFB offers its clients a wide range of credit products and banking services. The Bank's database comprises over 34.1 million contacts. HCFB's products are distributed through over 101,000 points of sale and loan offices in Russia and Kazakhstan. The Bank's network also comprised 294 branches, 216 post offices and 1,116 ATMs across the Russian Federation and Kazakhstan as at 31 December 2016.
More information is available at www.homecredit.ru, www.homecredit.kz

Home Credit B.V. ("HCBV" or 'the Group') is an international consumer finance provider with operations in 11 countries with high potential to grow. Founded in 1997, we focus on responsible lending primarily to people with little or no credit history. Our services are simple, easy and fast. We operate in highly attractive markets with significant barriers to entry. We are a leading provider of consumer finance in selected countries. It is our experience and knowledge across the different markets, which sustainably puts us ahead of our competitors. We drive and broaden financial inclusion for the unbanked population by providing a positive and safe borrowing experience – the first for many of our customers. We promote higher living standards and meet borrowers' financial needs. Our 120.2 thousand employees have so far served 70.0 million customers through the vast distribution network comprising 268,486 points of sale, loan offices, branches and post offices. HCBV's total consolidated assets reached EUR 14.7 billion as at 31 December 2016. *More information on HCBV is available at www.homecredit.net.*

The majority shareholder (88.62% stake) of Home Credit B.V. is PPF Financial Holdings B.V., a 100% subsidiary of **PPF Group N.V. ("PPF")**. PPF Group invests into multiple market segments such as banking and financial services, telecommunications, biotechnology, real estate, retail, insurance and agriculture. PPF's reach spans from Europe to Russia, the USA and across Asia. PPF Group owns assets exceeding EUR 24.2 billion (as at 30 June 2016). *More information on PPF Group N.V. is available at www.ppf.eu*.

A minority stake (11.38%) of Home Credit B.V. is held by **EMMA OMEGA LTD**, an investment holding company ultimately owned by Mr. Jiri Smejc.