

# **Home Credit and Finance Bank, Russia: IFRS consolidated results for the nine-month period ended 30 September, 2017 – Stronger earnings in light of loan book growth**

27 Nov 2017

**Moscow, 27 November 2017:** Home Credit & Finance Bank (“HCFB” or “the Bank”), announces the consolidated financial results of operations in Russia and Kazakhstan for the nine-month period ended 30 September 2017 in accordance with International Financial Reporting Standards (IFRS).

**HCFB is rated by Fitch at BB-, and by RA Expert at BBB+. SB JSC Bank Home Credit (Kazakhstan), a 100% subsidiary of HCFB, is rated by Fitch at B+.**

*“The bank is showing strong financial results. Profit for the first nine months of 2017 totalled RUB 11 billion. The net loan portfolio expanded by 10.6%. Our achievements were highlighted by Fitch Ratings, which upgraded our Long-Term Issuer Default Rating to BB-/outlook stable.*

*We are satisfied with the successful launch of our flagship products – Shopping Card and the online service for buying goods in installments – as well as with the overall development of our online business. About 1.5 million customers regularly use our online services and applications. The share of cash loans that were issued full remotely was 30%.*

*We continue to reposition the brand to target a younger audience that prefers online shopping. In recognition of our progress, our rebranding ads campaign “The Bank of New Opportunities” won the creative strategy award at the IPRA GWA Eventiada Awards in November.*

*Our results are a testament to the efficiency of our business model and give us confidence that 2017 will be highly successful for our bank.”*

**Yuriy Andresov,  
Chairman of the Management Board, HCFB**

The operating environment in Russia continues to evolve. In the first nine months of this year, real wages increased 2.5% compared to the same period last year, while retail sales increased 0.5%, compared to a 4.5% decline last year. Annual inflation rate in October was just 2.7%. The

stabilization of macroeconomic situation in Russia has benefited Home Credit's results. The quality of the loan portfolio and new volumes are both improving. NPL is at a historically low level of 4.2%. In the first nine months of 2017, loan issues increased 27.4% compared to the same period last year. Meanwhile, the cost of funding is declining. Debit cards are showing very good progress. The volume of debit card transactions increased 36.6% compared to the same period last year.

## HIGHLIGHTS

- **The Bank recorded net profit of RUB 11.0 billion for the nine-month period of 2017** compared with net profit of RUB 4.6 billion a year ago, illustrating the risk metrics improvement, decrease in cost of funding, and a stabilized operational environment in Russia. The operations in Kazakhstan also continued to perform well.
- **Interest income fell by 0.9% y-o-y to RUB 35.0 billion (9M 2016: RUB 35.3 billion)** reflecting the decrease in the loan interest rates. Interest expenses dropped 10.5% y-o-y to RUB 12.5 billion (9M 2016: RUB 14.0 billion), driven by the continued decline of retail deposits interest rates.
- **In the nine-month period of 2017, net interest income was RUB 22.4 billion, up 5.4% compared to RUB 21.3 billion a year earlier.**
- **Net interest margin stood at 13.7% at the end of the reporting period (9M 2016: 13.9%).**
- **Operating income for the reporting period grew 3.3% year on year to RUB 29.9 billion (9M 2016: RUB 28.9 billion).**
- **General and administrative expenses grew 4.0% to RUB 14.0 billion, reflecting increased investments in business digitalization.** The cost-to-income ratio was 47.0% (9M 2016: 46.7%) and the cost-to-average-net-loans ratio was 10.6% during the reporting period (9M 2016: 10.7%).
- **Non-performing loans (NPLs) comprised 4.2% of total gross loans (YE 2016: 6.0%),** as HCFB continued to prioritize risk-management and manage the portfolio quality. The cost of risk was 1.6% by the end of the reporting period (9M 2016: 7.7%). Provision coverage of NPLs remains a healthy 134.5%.
- **Total assets increased 15.4% since the end of 2016 to RUB 274.1 billion.**
- **Net loans went up 10.6% to RUB 189.0 billion at 30 September 2017 (YE 2016: RUB 170.9 billion), with RUB 165.5 billion new loans granted,** which is 27.4% up compared to the corresponding period of 2016 (9M 2016: RUB 129.9 billion).
- **HCFB reported RUB 44.8 billion in Cash, Cash equivalents and Placements with banks (YE 2016: RUB 30.6 billion) and an additional RUB 27.6 billion in a high-rated bond portfolio (YE 2016: RUB 21.6 billion),** which together comprised 26.4% of total

assets at the end of the reporting period. Strong liquidity position provides additional confidence under current market conditions in Russia.

- **Customer deposit and current account balances increased to RUB 181.8 billion as at 30 September 2017, up 16.8% since the end of 2016.** Customer deposits and current accounts remain the key source of funding for the Bank and comprise 81.2% of liabilities. The ratio of loans to deposits was 103.9% at the end of the reporting period.
- **HCFB remains well-capitalised with a consolidated capital adequacy ratio of 25.7% at 30 September 2017 (YE 2016: 27.1%).** 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 4.3 million active customers** through 278 bank branches, over 108 thousand points of sale and loan offices, 222 post offices and 1,134 ATMs across Russia and Kazakhstan. The Bank's customer database contained 35.3 million contacts at 30 September 2017.

## FINANCIAL SUMMARY

<i>Balance Sheet (RUB million)</i>	<b>9M 2017</b>	<b>YE 2016</b>	<b>Change %</b>
<b>Total assets</b>	274,149	237,591	15.4
<b>Net loan portfolio</b>	188,981	170,945	10.6
<b>Equity</b>	50,140	43,797	14.5

<i>Income Statement (RUB million)</i>	<b>9M 2017</b>	<b>9M 2016</b>	<b>Change %</b>
<b>Operating income</b>	29,914	28,946	3.3
<b>Profit / (Loss) before tax</b>	13,781	5,763	139.1
<b>Net profit / (loss)</b>	10,972	4,573	139.9

## KEY RATIOS

	9M 2017, %	2016, %	9M 2016, %
<b>Return on average assets (ROAA)<sup>1</sup></b>	5.9	3.2	2.5
<b>Return on average equity (ROAE)<sup>2</sup></b>	31.2	19.1	15.3
<b>Cost-to-income ratio<sup>3</sup></b>	47.0	47.3	46.7
<b>Capital adequacy ratio</b>	25.7	27.1	27.6
<b>NPL<sup>4</sup></b>	4.2	6.0	7.7
<b>Cost of risk<sup>5</sup></b>	1.6	6.5	7.7

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 9M 2017 financial results, please visit: <http://www.homecredit.net/>.

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## NOTES TO EDITORS

**Home Credit & Finance Bank [Fitch BB-, RA Expert BBB+]** specialises in retail finance in Russia and Kazakhstan. HCFB offers its clients a wide range of credit products and banking services. The Bank's customer database contained over 35.3 million contacts. HCFB's products are distributed through over 108 thousand points of sale and loan offices in Russia and Kazakhstan. The Bank's network also comprised 278 branches, 222 post offices and 1,134 ATMs across the Russian Federation and Kazakhstan as at 30 September 2017.

*More information is available at [www.homecredit.ru](http://www.homecredit.ru), [www.homecredit.kz](http://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 155.1 thousand employees have so far served 90.3 million customers through the vast distribution network comprising 398,572 points of sale, loan offices, branches and post offices. HCBV's total consolidated assets reached EUR 19.5 billion as at 30 September 2017. *More information on HCBV is available at [www.homecredit.net](http://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 of EUR 34.8 billion (as at 30 June 2017). *More information on PPF Group N.V. is available at [www.ppf.eu](http://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 Smejck.