

Press Release

Home Credit and Finance Bank, Russia:

IFRS consolidated results for the twelve-month period ended 31 December 2019

Growth in profits, card business and online business

Moscow, 18 March 2020: 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 2019 in accordance with International Financial Reporting Standards (IFRS).

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

“2019 was a successful year for the Bank, net profit reached 15.8 billion rubles or 14% growth compared to a year ago. While maintaining leadership in the POS loans segment, we focused on providing loans through our installment card „Freedom“, as well as leveraging our online and self-services channels. We see that our innovative offerings had significant customers’ interest and at the same time improved POS business efficiency. ” - commented Yuriy Andresov, Chairman of the Management Board of HCFB.

In 2019 the Bank delivered portfolio growth of 7.0%, the net loan book reached RUB 262.4 billion at the end of reporting period. Partnership transactions volume in installment card „Freedom“ increased 4 times, the number of active users increased almost 2 times.

Around 20% of our cash loans are distributed through mobile application "My Credit". At the end of reporting period our application had more than 3 million monthly active users (MAU) which was 71% of active customers, also the number of daily users noticeably went up. The volume of POS loans distributed online increased by 26%.

The My Credit application topped the ranking of the best mobile banks in the Digital Office category for individuals according to the report of the Mobile Banking Rank - 2019 of the consulting agency Markswobb. The bank achieved a leap forward in the development of mobile app “My credit”, as a result it moved from 27th position year ago to the ranking leaders.

The debit and credit cards with loyalty program „Polza“ were recognized as the best cards with a reward program according to the analytical agency Frank RG, the debit card “Polza” was awarded “Bank card of the year” by financial services market “Banki.ru“.

“Home Credit Bank occupies a unique niche in the market and remains one of the largest private retail banks in terms of number of customers. Our clients highly value the bank, and we are doing our best to maintain a high level of satisfaction. Our profound expertise in consumer finance and advanced retail lending infrastructure allow us to look into the future with confidence, ”said Yuri Andresov.

HIGHLIGHTS

- **The Bank recorded net profit of RUB 15.8 billion in 2019** compared with net profit of RUB 13.8 billion a year ago, driven by growth in our portfolio, improved risk metrics and continued focus on improving operating efficiency.

- **HCFB served over 39 million customers** through 265 bank branches, over 126 thousand points of sale and loan offices, 258 post offices and 1,300 ATMs across Russia and Kazakhstan.
- **Interest income grew by 5.2% y-o-y to RUB 56.6 billion (2018: RUB 53.8 billion)** reflecting the loan growth. Interest expenses dropped 2.8% y-o-y to RUB 17.3 billion (2018: RUB 17.8 billion), driven by the continued decline of retail deposits interest rates.
- **As a result, net interest income was at RUB 39.3 billion, up 9.2% compared to RUB 36.0 billion a year earlier.**
- **Net interest margin was at 13.3% for 2019 (2018: 13.1%).**
- **Operating income for the reporting period grew 7.0% year on year to RUB 46.2 billion (2018: RUB 43.1 billion),** on the back of growing net interest income.
- **General and administrative expenses grew 5.8% to RUB 22.9 billion, reflecting increased investments in business digitalization and advertising campaign.** The cost-to-income ratio was 49.6% (2018: 50.1%) and the cost-to-average-net-loans ratio was 9.1% during the reporting period (2018: 9.6%).
- **Non-performing loans (NPLs) were down 3.1% of total gross loans (YE 2018: 3.8%),** primarily driven by strong collection performance. The cost of risk was 1.4% by the end of the reporting period (2018: 1.9%). Provision coverage of NPLs remains a healthy 128.3%.
- **Total assets increased 4.9% since the end of 2018 to RUB 343.8 billion, driven by growth in the loan book.**
- **Net loans went up 7.0% to RUB 262.4 billion at 31 December 2019 (YE 2018: RUB 245.4 billion), RUB 308.7 billion new loans granted,** which is 7.1% up compared to 2018 (2018: RUB 288.2 billion).
- **HCFB reported RUB 41.2 billion in Cash, Cash equivalents and Placements with banks (YE 2018: RUB 34.2 billion) and an additional RUB 24.7 billion in a high-rated bond portfolio (YE 2018: RUB 35.9 billion),** which together comprised 19.2% of total assets at the end of the reporting period. Strong liquidity position provides additional confidence under current market conditions.
- **Customer deposit and current account balances dropped to RUB 218 billion as at 31 December 2019, down 2.0% since the end of 2018** as a result of the Bank's focus on funding sources diversification and favorable backdrop for debt capital markets in 2019. Customer deposits and current accounts remain the key source of funding for the Bank and comprise 84.2% of liabilities. The ratio of loans to deposits was 120.6% at the end of the reporting period.
- **In the second half of 2019, the Bank issued domestic bond in amount of RUB 5 billion and US\$200m T1 subordinated notes.**
- **HCFB remains well-capitalised with a consolidated capital adequacy ratio of 25.9% at 31 December 2019 (YE 2018: 23.6%).** The consolidated capital adequacy ratio, based on standards set by the Central Bank of Russia, was 13.4% at the end of the reporting period.

FINANCIAL SUMMARY

<i>Balance Sheet (RUB million)</i>	YE 2019	YE 2018	Change %
Total assets	343,847	327,790	4,9
Net loan portfolio	262,411	245,354	7,0
Equity	85,402	63,086	35,4

<i>Income Statement (RUB million)</i>	2019	2018	Change %
Operating income	46,169	43,145	7,0
General and administrative expenses	22,887	21,629	5,8
Net profit / (loss)	15,772	13,809	14,2

KEY RATIOS

	2019, %	2018, %
Return on average assets (ROAA)¹	4,8	4,5
Return on average equity (ROAE)²	22,2	24,0
Cost-to-income ratio³	49,6	50,1
NPL⁴	3,1	3,8
Cost of risk⁵	1,4	1,9

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 full year 2019 financial results, please visit: [http://www.homecredit.net/.](http://www.homecredit.net/)

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NOTES TO EDITORS

Home Credit & Finance Bank [Fitch BB-, RA Expert A-, ACRA A] 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 39 million contacts. HCFB's products are distributed through over 126 thousand points of sale and loan offices in Russia and Kazakhstan. The Bank's network also comprised 265 branches, 258 post offices and 1,300 ATMs across the Russian Federation and Kazakhstan as at 31 December 2019.

More information is available at www.homecredit.ru, www.homecredit.kz

Home Credit Group B.V. ("HCGBV") is one of the leading global providers of consumer credit with a focus on emerging markets. HCGBV is the parent which holds the equity stakes in leading consumer finance companies ("operating entities") in 10 countries. HCGBV's total consolidated assets reached EUR 26.6 billion as at 31 December 2019.

The majority shareholder (91.12% stake) of HCGBV is PPF Financial Holdings B.V., a wholly owned subsidiary of **PPF Group N.V. (hereinafter "PPF")**. PPF invests into multiple market segments such as banking and financial services, telecommunications, biotechnology, real estate, retail, insurance, metal mining and agriculture. PPF Group's reach spans from Europe to Russia, the USA and across Asia. PPF Group owns assets of EUR 47 billion (as at 30 June 2019).

The remaining 8.88% stake in HCGBV is held by **EMMA OMEGA LTD**. For more information on PPF, visit www.ppf.eu and for more information on EMMA, please visit www.emmacapital.cz.