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Press Release

Home Credit and Finance Bank, Russia:

IFRS consolidated results for the nine-month period ended 30 September, 2016

Profitability strengthens and net loan book posts first quarterly growth in 3 years

Moscow, 28 November 2016: 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, 2016 in accordance with International Financial Reporting Standards (IFRS).

HCFB is rated by Moody's at B2, and by Fitch at B+. SB JSC Bank Home Credit (Kazakhstan), a 100% subsidiary of HCFB, is rated by Fitch at B+.

"Another, significantly stronger, quarter of profits from Russia gives us further confidence in the outlook for our business, particularly as there continue to be signs that the Russian economic backdrop is stabilising, and we are well positioned to benefit. While we were aided in part from the market-wide reduction in interest expense in Russia, the main contributor to HCFB's strong performance was the material improvement in our credit costs.

The major steps we took to address our costs and strengthen the credit quality of our loan book are largely complete and it is now the day-to-day application of these measures that is yielding improving results. This can be seen in the net loan portfolio which grew quarter on quarter – the first time it has done so in three years. Importantly, this was achieved at the same time as we made further impressive gains in our key risk metrics in the quarter with both non-performing loans and cost of risk substantially lower.

We are increasingly using online and remote channels for loan applications which enables us to be faster in terms of customer acquisition and, as these customers often have a higher credit rating, to do so while keeping a tight rein on credit risk. We have once again maintained our leadership position in point of sale (POS) lending, and our ambition now is to achieve the same in the online market. POS lending remains an excellent source of new, quality customers and provides us with an important opportunity for cross selling of products.

With robust systems, a sizeable stream of good quality customers, attractive products and, importantly, the ability to adapt to the market environment, we believe Home Credit is on the best possible footing for the future."

Yuriy Andresov,
Chairman of the Management Board, HCFB

There are early signs that the macro economic environment in Russia is further stabilising in the second half with many market analysts forecasting a less than 1% reduction in GDP for the full year. Pressure on consumer spending and disposable income remains and while there has been a clear year-on-year improvement in the overall consumer lending market, it still lags pre-crisis levels. The actions taken by management have allowed Home Credit to progress despite this backdrop and put it in a strong position for when the market in Russia starts to grow.

With the last of the high-interest deposit accounts tailing off, the positive impact of other elements such as the rigorous control of costs continues to come through. Even as new business volumes rose – climbing 10% year on year – general and administrative expenses fell 14%, continuing the trend seen in earlier quarters and contributing to the RUB 4.6 billion net profit for the 9 months. This not only builds on the RUB 1.7 billion reported in the first half 2016 but is also a significant change from the net loss of RUB 9.3 billion for the first nine months of 2015. Even while new volumes rose, and costs shrunk, Home Credit still delivered substantially better risk metrics both year on year and quarter on quarter with NPLs as a percentage of gross loans at 7.7% in 9M 2016, down from 9.4% in H1 2016 and 14.5% in 9M 2015 while the cost of risk fell to 7.7% from 9.1% at the end of H1 2016 and 18.5% for the 9M 2015.

Over a quarter of customers regularly use Home Credit's remote and online services in Russia and 15% make payments through online channels, and this is steadily rising. With the aim of significantly increasing its online POS lending business, Home Credit launched pilot programmes with some of its partners and given the low risk customer profile and cross selling opportunities this entails, Home Credit sees this as a key area for the future. This will complement its leadership position in offline POS lending where Home Credit has a 26.5% market share, up from 24.5% a year earlier, and where NPLs are even lower than for the overall loan book.

The Kazakhstan business is performing well and in addition to now being self-funding, it was upgraded by rating agency Fitch to B+ in November with a stable outlook. Home Credit's improved overall position was reflected in Moody's recently upgrading HCFB's outlook to stable.

HIGHLIGHTS

- **The Bank recorded net profit of RUB 4.6 billion for the nine-month period of 2016,** a substantial improvement from the RUB 9.3 billion net loss in the corresponding period of 2015, illustrating the cost of funding decrease, risk metrics improvement and a stabilized operational environment in Russia**.** In addition, the operations in Kazakhstan continue to perform well.

- **Interest income fell 26.8% y-o-y to RUB 34.6 billion (9M 2015: RUB 47.3 billion)** reflecting the continued decrease in the retail portfolio year on year. Interest expenses dropped 41.3% y-o-y to RUB 14.0 billion (9M 2015: RUB 23.9 billion), driven by the continued decline of retail deposits interest rates.

- **In the nine-month period of 2016, net interest income was RUB 20.6 billion, down 12.0% compared to RUB 23.4 billion a year earlier.**

- **Operating income for the reporting period fell 15.5% year on year to RUB 28.9 billion** (9M 2015: RUB 34.3 billion)**.**

- **HCFB achieved a net interest margin of 13,5% at the end of the reporting period** (9M 2015: 11.8%) mainly due to the runoff of retail deposits collected in early 2015.

- **General and administrative expenses were reduced 13.7% to RUB 13.5 billion, reflecting the Bank's strict cost management despite the inflationary environment in Russia.** The cost-to-income ratio was 46.7% (9M 2015: 46.1%) and the cost-to-average-net-loans ratio was 10.7% during the reporting period (9M 2015: 9.8%).

- **Non-performing loans (NPLs) comprised 7.7% of total gross loans** (YE 2015: 13.0%)**,** as HCFB continued to prioritize risk-management and collection. The cost of risk of 7.7% by the end of the reporting period also proved the positive trend in terms of portfolio quality (9M 2015: 18.5%). Provision coverage of NPLs remains a healthy 126.4%.

- **Total assets arrived at RUB 237.8 billion, down 11.2% since the end of 2015.**

- **Net loans decreased 7.9% to RUB 164.3 billion at 30 September 2016** (YE 2015: RUB 178.4 billion)**, with RUB 129.3 billion new loans granted,** which is 9.7% up compared to the corresponding period of 2015 (9M 2015: RUB 117.8 billion).

- **HCFB reported RUB 31.8 billion in Cash, Cash equivalents and Placements with banks** (YE 2015: RUB 42.6 billion) **and an additional RUB 24.4 billion in a high-rated bond portfolio** (YE 2015: RUB 22.2 billion), which together comprised 23.6% of total assets at the end of the reporting period.

- **Retail deposit and current account balances were RUB 145.2 billion as at 30 September 2016, down 15.3% 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 76.9% of the Bank's liabilities. The ratio of loans to deposits was 109.0% at the end of the reporting period, confirming the Bank´s continued use of retail deposits as a major funding source.

- **HCFB remains well-capitalised with a consolidated capital adequacy ratio of 27.6% at 30 September 2016** (YE 2015: 24.3%). The stand-alone capital adequacy ratio, based on standards set by the Central Bank of Russia, was 14.1% at the end of the reporting period.

- **HCFB served about 4.0 million active customers** through 325 bank branches, over 99,000 points of sale and loan offices, 214 post offices and 1,171 ATMs across Russia and Kazakhstan. The Bank's client base comprised 33.6 million customers at 30 September 2016.

FINANCIAL SUMMARY

Balance Sheet (RUB million)	9M 2016	YE 2015	Change %
Total assets	237,795	267,923	(11.2)
Net loan portfolio	164,336	178,418	(7.9)
Equity	41,693	39,654	5.1

Income Statement (RUB million)	9M 2016	9M 2015	Change %
Operating income	28,946	34,262	(15.5)
Profit / (Loss) before tax	5,763	(11,175)	-
Net profit / (loss)	4,573	(9,274)	-

KEY RATIOS

	9M 2016, %	2015, %	9M 2015, %
Return on average assets (ROAA)[1]	2.5	(2.9)	(4.0)
Return on average equity (ROAE)[2]	15.3	(19.8)	(27.1)
Cost-to-income ratio[3]	46.7	47.4	46.1
Capital adequacy ratio	27.6	24.3	23.2
NPL[4]	7.7	13.0	14.5
Cost of risk[5]	7.7	16.2	18.5

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 2016 financial results, please visit: http://www.homecredit.net/.

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NOTES TO EDITORS

Home Credit & Finance Bank [Moody's B2, 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 33.6 million contacts. HCFB's products are distributed through over 99,000 points of sale and loan offices in Russia and Kazakhstan. The Bank's network also comprised 325 branches, 214 post offices and 1,171 ATMs across the Russian Federation and Kazakhstan as at 30 September 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 103.9 thousand employees have so far served 64.2 million customers through the vast distribution network comprising 241,460 points of sale, loan offices, branches and post offices. HCBV's total consolidated assets reached EUR 12.4 billion as at 30 September 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.