

Press Release

Home Credit and Finance Bank, Russia:

IFRS consolidated results for the twelve-month period ended 31 December, 2017

Very good results on backdrop of healthy loan book growth

Moscow, 7 March 2018: 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 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+.

“2017 was a very successful year for our bank, with a net profit totalling RUB 14.2 billion and a 21.8% growth in the net loan portfolio. We remain focused on the quality of the credit portfolio, with NPL’s reaching a historic low of 3.7% by the end of the year.

Last year was also a year of big changes for us. We repositioned our brand and launched two new products - Shopping Card and Marketplace, an online service for buying goods on instalment. Alongside the rebranding, we launched a nationwide advertising campaign.

We achieved significant success in the development of card products and our loyalty program. In 2017, the volume of POS transactions with our debit cards more than doubled, and the amount paid via cashback as part of the “Polza” loyalty program reached RUB 500 million.

We are also developing our digital business. The share of active clients using online and remote services reached 48% by the end of the year, and continues to grow. In 2017 we issued over RUB 2 billion of loans via POS online systems, and over 33% of our cash loans were issued through home banking.

Our achievements were recognized by the rating agency Fitch, which in November 2017 upgraded the long-term credit rating of the bank to BB-. We have a positive outlook for 2018 and expect further growth of our business.”

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

The bank’s achievements in 2017 were honoured by a series of awards: the bank was awarded a “High Standard of Customer Care” commendation by an online poll of the ARB banking association. Additionally, the bank reached second place in the “Best Retail Bank” nominations at the Retail Finance Awards 2017 and won the “Reader’s Choice” special award by an online vote on the website of the Retail Finance Awards.

The “Polza” loyalty programme also won two awards at the National Customer eXperience Awards Russia 2017 - The Grand Prix award for “Best implementation of the customer experience concept” and the “Best customer experience in the financial sector” cup. Additionally, “Polza” was recognized as the “Best financial institution loyalty program” by the Loyalty Awards Russia 2017. Finally, the advertising campaign “Bank of New Opportunities” was awarded “The Best Creative Strategy” special prize at the Eventiada IPRA GWA Awards 2017.

HIGHLIGHTS

- **The Bank recorded net profit of RUB 14.2 billion in 2017** compared with net profit of RUB 7.7 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 grew by 1.3% y-o-y to RUB 47.8 billion (2016: RUB 47.2 billion)** reflecting the decrease in the loan interest rates. Interest expenses dropped 7.2% y-o-y to RUB 17.1 billion (2016: RUB 18.4 billion), driven by the continued decline of retail deposits interest rates.
- **In 2017 net interest income was RUB 30.7 billion, up 6.7% compared to RUB 28.8 billion a year earlier.**
- **Net interest margin arrived at 13.7% at the end of the reporting period (2016: 14.1%).**
- **Operating income for the reporting period grew 2.0% year on year to RUB 40.2 billion (2016: RUB 39.4 billion).**
- **General and administrative expenses grew 6.9% to RUB 19.8 billion, reflecting increased investments in business digitalization and advertising campaign.** The cost-to-income ratio was 49.9% (2016: 47.3%) and the cost-to-average-net-loans ratio was 10.9% during the reporting period (2016: 11.0%).
- **Non-performing loans (NPLs) comprised 3.7% 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 1.2% by the end of the reporting period (2016: 6.5%). Provision coverage of NPLs remains a healthy 129.0%.
- **Total assets increased 24.7% since the end of 2016 to RUB 296.2 billion.**
- **Net loans went up 21.8% to RUB 208.2 billion at 31 December 2017 (YE 2016: RUB 170.9 billion), with RUB 242.7 billion new loans granted,** which is 29.4% up compared to the corresponding period of 2016 (2016: RUB 187.5 billion).
- **HCFB reported RUB 26.5 billion in Cash, Cash equivalents and Placements with banks (YE 2016: RUB 30.6 billion) and an additional RUB 48.8 billion in a high-rated bond portfolio (YE 2016: RUB 21.6 billion),** which together comprised 25.4% 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 192.9 billion as at 31 December 2017, up 23.9% since the end of 2016.** Customer deposits and current accounts remain the key source of funding for the Bank and comprise 79.3% of liabilities. The ratio of loans to deposits was 107.9% at the end of the reporting period.
- **HCFB remains well-capitalised with a consolidated capital adequacy ratio of 23.8% at 31 December 2017 (YE 2016: 27.1%).** The stand-alone capital adequacy ratio, based on standards set by the Central Bank of Russia, was 13.9% at the end of the reporting period.
- **HCFB served about 4.6 million active customers** through 273 bank branches, over 111 thousand points of sale and loan offices, 223 post offices and 1,137 ATMs across Russia and Kazakhstan. The Bank's customer database contained over 35.7 million contacts at 31 December 2017.

FINANCIAL SUMMARY

<i>Balance Sheet (RUB million)</i>	YE 2017	YE 2016	Change %
Total assets	296,210	237,591	24.7
Net loan portfolio	208,249	170,945	21.8
Equity	52,873	43,797	20.7

<i>Income Statement (RUB million)</i>	2017	2016	Change %
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Operating income	40,179	39,397	2.0
Profit / (Loss) before tax	17,841	9,716	83.6
Net profit / (loss)	14,245	7,745	83.9

KEY RATIOS

	2017, %	2016, %
Return on average assets (ROAA) ¹	5.5	3.2
Return on average equity (ROAE) ²	29.6	19.1
Cost-to-income ratio ³	49.9	47.3
Capital adequacy ratio	23.8	27.1
NPL ⁴	3.7	6.0
Cost of risk ⁵	1.2	6.5

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 full year 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 35.7 million contacts. HCFB's products are distributed through over 111 thousand points of sale and loan offices in Russia and Kazakhstan. The Bank's network also comprised 273 branches, 223 post offices and 1,137 ATMs across the Russian Federation and Kazakhstan as at 31 December 2017.

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 10 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 157.7 thousand employees have so far served 97 million customers through the vast distribution network comprising 399,228 points of sale, loan offices, branches and post offices. HCBV's total consolidated assets reached EUR 21.5 billion as at 31 December 2017. *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 of EUR 34.8 billion (as at 30 June 2017). *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 Smejck.