HOME CREDIT BANK

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Press Release

Home Credit and Finance Bank, Russia:
IFRS consolidated results for the full year of 2015

Solidly positioned for a sustainable future

Moscow, 11 March 2016: Home Credit & Finance Bank ("HCFB" or 'the Bank"), announces the consolidated financial results of operations in Russia and Kazakhstan for the year ended 31 December 2015 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.

"With tough market conditions persisting throughout 2015 forming a challenging backdrop for Home Credit, we increased our focus on adapting our business model to the changed market conditions through improving efficiency and strengthening the credit quality of our customer base. Not only did we retain our leadership position in POS with a market share in new volumes of more than 30%, we also concentrated on securing strong customers who will provide us with important cross-selling opportunities for the future. As a result of our actions, we achieved a return to profitability in the fourth quarter. At the same time we remained alert for business opportunities and in particular, we see real potential for Home Credit in the developing online arena.

To sum up this year, it has been one of challenges and progress. As we entered 2015, volatility was a key characteristic of the Russian market, and it is one that we expect to continue as the Russian economy is buffeted by forces such as lower oil and commodity prices. However, the business we have built over this past year is one that is highly adapted to this new environment. Our financial strength, committed shareholder support and carefully managed cost base mean we are on solid footing to ride out further market turbulence and are well positioned for any recovery. I am confident we will emerge from the current period with the right underpinnings for a secure and sustainable future."

Yuriy Andresov,
Chairman of the Management Board, HCFB

The macro environment remained difficult in Russia: in 2015 real wages decreased by 9.5% year on year while retail sales turnover declined 10% compared to 2014. Measures taken in response to the significant market deterioration, including 'right-sizing' of the banking network and a full-scale cost optimization program, were completed during the year. At the same time, the cost of funding was reduced. In terms of portfolio quality, new cash and POS scorecards were implemented and the number of data sources utilized for underwriting was increased, including the addition of databases from more government bodies. Robust risk management and a clear focus on collection remain among the Bank's key priorities.

Due to the measures taken, operating expenses fell 28% y-o-y, while the NPL level improved to 13% from 16% a year ago, even in light of the decreased business volumes. Throughout the branch network optimization process, the Bank successfully focused on retaining good customers through active engagement with them online and via our call centers. The Bank significantly empowered its internet and mobile bank operations, launched online applications through "My credit" and has engaged with a number of digital data companies supporting us in the area of better utilisation of big data.

In the fourth quarter, the Bank recorded a net profit in line with the improving trajectory we have seen over the year as our initiatives took hold. While the remainder of the higher interest deposits are maturing, the net interest margin remains under pressure due to a decline in interest yield. A significant liquidity buffer was established during the year in response to the volatile market conditions and the refinancing schedule for 2016 remains very comfortable. The strength of the Bank's capital, liquidity and funding positions as well as the robustness of its underlying business in the current environment, is underscored by the affirmation of the credit rating by Fitch during the second half. Kazakhstan performed strongly against the backdrop of a difficult currency environment, achieving a 36% increase in profit y-o-y in Russian ruble terms.

HIGHLIGHTS

- **In light of the challenging operating environment, the Bank recorded a net loss of RUB 8.8 billion for the full year 2015. This was mainly driven by pressure on the net interest margin, reduced business volumes against the backdrop of stricter underwriting criteria, and by credit losses. These losses, while relatively significant by international standards, were lower compared to local peers.** Net profit for the fourth quarter of 2015 was RUB 0.5 billion, a substantial improvement from a RUB 9.3 billion net loss in the first nine-month period, illustrating the stabilising effect of operational initiatives to counter the challenges in Russia.

- **Net interest income reached RUB 29.5 billion, down 41.2% compared to RUB 50.3 billion a year earlier,** reflecting decreased business volumes and increased interest rates on customer deposits following a significant hike in the key CBR refinancing rate at the very end of 2014 and the impact of the costs of HCFB's increased liquidity buffer.

- **Operating income for the reporting period fell 37.5% year-on-year to RUB 43.7 billion (**12M 2014: RUB 69.9 billion)**.**

- **HCFB's net interest margin of 11.8% at the end of the reporting period** (12M 2014: 17.0%) was impacted by increased funding costs during the year, as well as by a continuing decline in interest yield, due to regulatory changes and the focus on better-quality loans.

- **General administrative expenses dropped 21.9% to RUB 20.5 billion, reflecting the results of a cost optimisation program to match the contraction of the loan book.** The cost-to-income ratio was 47.4% (YE 2014: 38.5%) and cost-to-average-net-loans ratio amounted to 10.0% during the reporting period. The rise in cost-to-income ratio was mainly driven by reduction in revenues.

- **Non-performing loans (NPL) comprised 13.0% of total gross loans** (YE 2014: 15.6%) **against the backdrop of reduced business volumes,** reflecting HCFB's conservative underwriting policy and the corrective measures that were implemented. The cost of risk level of 16.2% by the end of the reporting period also proved the positive trend in terms of portfolio quality (12M 2014: 18.9%). Provision coverage of NPLs remains a healthy 109.7%.

- **Total assets were RUB 267.9 billion, down 20.9% since the end of 2014.**

- **Net loans decreased 27.1% to RUB 178.4 billion at 31 December 2015** (YE 2014: RUB 244.8 billion)**, with RUB 168.4 billion new loans granted** (12M 2014: RUB 239.3 billion).

- **HCFB reported RUB 42.6 billion in Cash, Cash equivalents and Placements with banks** (YE 2014: RUB 49.2 billion) **and an additional RUB 22.2 billion in a high-rated bond portfolio** (YE 2014: RUB 18.1 billion), which together comprised 24.2% of total assets at the end of the reporting period.

- **Retail deposit and current account balances were RUB 171.4 billion as at 31 December 2015, up 0.3% since the end of 2014. The pricing structure of the deposit base has changed in the second half of the year when a significant portion of retail deposits repriced following the CBR's interest rate cut in Russia.** Deposit and current account balances comprised 78.0% of the Bank's liabilities. The ratio of loans to deposits was 100.1% at the end of the reporting period.

- **HCFB remains well capitalised with a consolidated capital adequacy ratio of 24.3% at 31 December 2015** (YE 2014: 24.4%). The stand-alone capital adequacy ratio, based on standards set by the CBR, was 14.3% at the end of reporting period.

- **HCFB served about 4.4 million active customers** through 374 bank branches, over 98,000 points of sale and loan offices, 239 post offices and 1,177 ATMs across Russia and Kazakhstan. The Bank's client base comprised 32.6 million customers at 31 December 2015.

FINANCIAL SUMMARY

Balance Sheet (RUB million)	2015	YE 2014	Change %
Total assets	267,923	338,740	(20.9)
Net loan portfolio	178,418	244,779	(27.1)
Equity	39,654	52,648	(24.7)

Income Statement (RUB million)	2015	2014	Change %
Operating income	43,674	69,907	(37.5)
Profit / (Loss) before tax	(10,539)	(5,824)	81.0
Net profit / (loss)	(8,814)	(4,524)	94.8

KEY RATIOS

	2015, %	2014, %
Return on average assets (ROAA)[1]	(2.9)	(1.3)
Return on average equity (ROAE)[2]	(19.8)	(8.7)
Cost-to-income ratio[3]	47.4	38.5
Capital adequacy ratio	24.3	24.4
NPL[4]	13.0	15.6
Cost of risk[5]	16.2	18.9

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 2015 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 32.6 million contacts. HCFB's products are distributed through over 98,000 points of sale and loan offices in Russia and Kazakhstan. The Bank's network also comprised 374 branches, 239 post offices and 1,177 ATMs across the Russian Federation and Kazakhstan as at 31 December 2015.
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 72.9 thousand employees have so far served 53.4 million customers through the vast distribution network comprising 185,893 points of sale, loan offices, branches and post offices. HCBV's total consolidated assets reached EUR 9.7 million as at 31 December 2015. *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 invests into multiple market segments such as banking and financial services, telecommunications, insurance, real estate, metal mining, agriculture, retail and biotechnology. PPF's reach spans from Europe to Russia, the USA and across Asia. PPF owns assets of EUR 21.3 billion (as at 30 June 2015). More information on PPF 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.