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Press Release

Home Credit and Finance Bank, Russia: IFRS consolidated results for the six-month period ended 30 June 2016

Return to sustainable profitability

Moscow, 29 August 2016: Home Credit & Finance Bank ("HCFB" or 'the Bank"), announces the consolidated financial results of operations in Russia and Kazakhstan for the six-month period ended 30 June 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.

"Our Russian operations are now firmly on course. The return to profitability in the first half shows that the decisive steps taken over the past year to strengthen and restructure Home Credit have been effective. While the economic conditions in Russia remain challenging, the situation appears to be slowly stabilising and in this environment, Home Credit is on good footing and performing well. Our progress was recently recognized by Fitch, which revised HCFB's outlook to stable.

Our consistent focus on strengthening our credit quality can be seen in the significant improvement in key risk metrics, with both risk costs and the share of NPLs now in single digits for the first time in three years. This stems from the regular gains we are making in terms of our internal risk management capabilities, leveraging multiple data sources including 'big data' to better inform our decision making. As a consequence, we are successfully acquiring lower-risk customers, which allows us to moderately grow our new loan portfolio while maintaining its solid risk profile.

We further extended our leadership position in Point-of-Sale lending, a key avenue for cross-selling, and are successfully expanding into new alternative channels. Our non-branch sales now account for almost 30% of total sales. As these latest financial results highlight, our flexible business platform and ability to adapt put us in a strong position to adjust effectively to market changes."

Yuriy Andresov,
Chairman of the Management Board, HCFB

The economic situation in Russia remains difficult and while the Central Bank of Russia has recently stated that they expect the first elements of a slow recovery to become apparent in the near future, real incomes remain under pressure. At the same time, the cost of funding has declined significantly as the deposit rates in Russia gradually fall. Nonetheless, the return to profitability of Home Credit in Russia is a reflection of the actions taken by the management to correctly positon the business, rather than a significant improvement in the overall economic conditions in Russia, although with the situation in Russia stabilizing, Home Credit is well-positioned to benefit.

Home Credit has maintained its focus on stringent risk management and greater operational efficiency and is benefitting from the maturation of its high-interest deposit accounts. Tight cost control resulted in a 20% reduction in general & administrative expenses despite increased new business volumes (rising by 9%) and general inflationary pressures. NPLs as a proportion of the total loan book stood at 9.4% at the end of the period, reflecting the emphasis on rigorous risk control and heightened portfolio quality. In the important POS segment, NPLs are even lower at 5.8% while new volumes increased by 18%. Home Credit again maintained its leadership position in Russia with a 28% market share, a 2.2 percentage point gain in one year.

Even in the current environment, Home Credit continued to innovate, recently launching in Russia a POS online offering in partnership with major internet retailers, as well as a Mobile Banker app that allows remote handling of cash loan applications. Overall in Russia, 20% of active customers regularly use our online services, with 10% of customers making loan repayments online.

Cumulatively, these results demonstrate Home Credit's ability to successfully and profitably grow its business, introducing innovation while keeping a firm rein on costs and risk levels.

HIGHLIGHTS

- **The Bank recorded a net income of RUB 1.7 billion for the first half of 2016,** a substantial improvement from the RUB 8.8 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 28.6% y-o-y to RUB 23.1 billion (1H 2015: RUB 32.4 billion)** reflecting the continued decrease in the retail portfolio. Interest expenses dropped 42.9% y-o-y to RUB 9.5 billion (1H 2015: RUB 16.6 billion), helped by most of the expensive retail deposits collected in early 2015 having matured.

- **In the first half of 2016, net interest income was RUB 13.7 billion, down 13.5% compared to RUB 15.8 billion a year earlier.**

- **Operating income for the reporting period fell 17.2% year on year to RUB 18.9 billion** (1H 2015: RUB 22.8 billion)**.**

- **HCFB achieved a net interest margin of 13.5% at the end of the reporting period** (1H 2015: 11.9%) mainly due to the runoff of retail deposits collected in early 2015.

- **General and administrative expenses were reduced 19.9% to RUB 8.9 billion, reflecting the Bank's strict cost management despite the inflationary environment in Russia.** The cost-to-income ratio was 47.3% (1H 2015: 49.9%) and the cost-to-average-net-loans ratio was 10.5% during the reporting period.

- **Non-performing loans (NPLs) comprised 9.4% of total gross loans** (YE 2015: 13.0%)**,** as HCFB continued to prioritize risk-management and collection. The cost of risk of 9.1% by the end of the reporting period also proved the positive trend in terms of portfolio quality (1H 2015: 19.9%). Provision coverage of NPLs remains a healthy 120.5%.

- **Total assets were RUB 240.2 billion, down 10.3% since the end of 2015.**

- **Net loans decreased 9.1% to RUB 162.1 billion at 30 June 2016** (YE 2015: RUB 178.4 billion)**, with RUB 81.0 billion new loans granted,** which is 8.8% up compared to the corresponding period in 2015 (1H 2015: RUB 74.4 billion).

- **HCFB reported RUB 39.9 billion in Cash, Cash equivalents and Placements with banks** (YE 2015: RUB 42.6 billion) **and an additional RUB 22.8 billion in a high-rated bond portfolio** (YE 2015: RUB 22.2 billion), which together comprised 26.1% of total assets at the end of the reporting period.

- **Retail deposit and current account balances were RUB 148.3 billion as at 30 June 2016, down 13.5% since the end of 2015.** The deposits outflow in the first half of 2016 reflected the decreased volumes of lending and lower deposit interest rate strategy of the Bank. Deposit and current account balances comprised 76.2% of the Bank's liabilities. The ratio of loans to deposits was 105.6% 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 26.0% at 30 June 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 4.1 million active customers** through 326 bank branches, over 96,000 points of sale and loan offices, 237 post offices and 1,153 ATMs across Russia and Kazakhstan. The Bank's client base comprised 33.3 million customers at 30 June 2016.

FINANCIAL SUMMARY

Balance Sheet (RUB million)	1H 2016	YE 2015	Change %
Total assets	240,241	267,923	(10.3)
Net loan portfolio	162,122	178,418	(9.1)
Equity	38,912	39,654	(1.9)

Income Statement (RUB million)	1H 2016	1H 2015	Change %
Operating income	18,858	22,787	(17.2)
Profit / (Loss) before tax	2,226	(10,824)	N/M
Net profit / (loss)	1,745	(8,839)	N/M

KEY RATIOS

	1H 2016, %	2015, %	1H 2015, %
Return on average assets (ROAA)[1]	1.5	(2.9)	(5.5)
Return on average equity (ROAE)[2]	8.9	(19.8)	(37.3)
Cost-to-income ratio[3]	47.3	47.4	49.9
Capital adequacy ratio	26.0	24.3	21.7
NPL[4]	9.4	13.0	15.1
Cost of risk[5]	9.1	16.2	19.9

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 1H 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 33.3 million contacts. HCFB's products are distributed through over 96,000 points of sale and loan offices in Russia and Kazakhstan. The Bank's network also comprised 326 branches, 237 post offices and 1,153 ATMs across the Russian Federation and Kazakhstan as at 30 June 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 86.8 thousand employees have so far served 59.9 million customers through the vast distribution network comprising 217,597 points of sale, loan offices, branches and post offices. HCBV's total consolidated assets reached EUR 10.9 billion as at 30 June 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 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 Group owns assets of EUR 21.6 billion (as at 31 December 2015). 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.