

Press Release

Home Credit B.V.: IFRS consolidated results for the year ended 31 December 2016

Strong growth in Asia with sustained profitability in Russia yield excellent results for 2016

Amsterdam, 1 March 2017: Home Credit B.V. ('HCBV' or 'the Group'), the Netherlands-based holding company for Home Credit's leading multi-channel consumer finance operations in CEE, Asia and the US, announces its consolidated financial results for the year ended 31 December 2016 in accordance with International Financial Reporting Standards (IFRS).

"2016 was a year that demonstrated the strength of our model, balancing the high-growth and strong customer acquisition of our Asian operations with the solid performance and sustained profits from Russia. All of our established businesses including Russia, Kazakhstan, China and Vietnam contributed positively to the full-year profit while our more nascent operations such as in India, Indonesia and the Philippines which are still in their investment phase, remain on track to profitability.

Not only has Russia delivered a profitable performance every quarter last year and maintained its leadership in point of sale lending, but it has halved the level of non-performing loans to mid-single digits. It is also making major inroads into the online arena for sales, payments and services. This was reflected in ratings agencies changing their outlook to 'stable' for HCFB.

Asia remains a very exciting business area for us. We continue successfully developing in Vietnam, Indonesia, India and the Philippines. Our scale has already made us an attractive partner for manufacturers seeking to obtain new, untapped consumers. Working with companies such as OPPO or Samsung, we have been able to offer zero or low interest products bringing us many new customers while enabling them to extend their reach in key markets. This has been a core driver of our growth in the region.

As we enter 2017, Home Credit has never been better positioned. We are a market leader in the key markets, including some of the most important countries in Asia, and have a promising foothold in the US. We are keenly focused on offering industry-leading products to our customers and taking them with us on our journey by striving to educate them about financial literacy. We remain able to adapt quickly while being vigilant on risk and costs. So while we are delivering good results today, we believe we have even greater potential for the future."

Jiri Smejck, Chairman of the Board of Directors and Group Chief Executive Officer, Home Credit B.V.

GROUP OVERVIEW

Quarterly earnings growth accelerated throughout 2016 with fourth-quarter net profit of EUR 78.9 million the strongest of the year resulting in a net profit for the full year of EUR 210.2 million. This marks a return to full-year profitability following a loss of EUR 41.6 million in 2015 and reflects a much improved risk performance, a diversified funding base and successful growth of the asset base. The growing contribution from Asia and the recovery in Russia following the steps taken there to re-align the business with the changed economic environment have a positive impact on the results as well. While the operational situation in Russia has stabilized, consumer lending remains under pressure as real disposal income continues to fall. However, Home Credit is now well adapted to this operational context.

Importantly, the Return on Average Equity rose strongly throughout the year up to 16.2% from minus 3.3% a year earlier, marking the sixth consecutive positive quarter for the Group since Russia macroeconomic downturn started. The Cost to Income ratio increased to 55.7% (2015: 54.8%) reflecting continued investment and the different mix of products, in particular the impact of the successful zero interest loans, which in turn substantially reduced the Cost of Risk ratio to 7.6% from 13.2% a year earlier. The improving performance in Russia and careful management of the loan portfolio also benefited the overall non-performing loans ratio which was solidly in single digits throughout the year falling to its lowest level in five years at 6.1% in the fourth quarter (Q4 2015: 10.0%).

Home Credit's distinctive business model of providing consumer finance products which are easily accessible even at the lower end of the economic scale is a formula which has been successfully rolled out across a number of countries in Central & Eastern Europe, CIS and Asia. The Group now has a footprint that makes it very attractive to manufacturers and retailers in a number of its markets who are seeking a consumer finance partner. This in turn supports the rapid development of Home Credit in China and Vietnam, underpins the improvement in Russia and has potential in early stage markets in Asia. As a result, loans granted in 2016 totaled EUR 11,536 million, representing an increase of 75.9% compared to 2015, with the Group having 20.1 million active customers at the end of 2016.

Home Credit's global POS network is a key pillar of its successful distribution model and incorporates 270,537 sites worldwide and provides access to customers in areas where bank and post office branches are more limited. The expansion of the POS network was strongest in Asia, where the success in particular of zero interest rate products has supported the increase to 160,312 sites.

The Group also continued to diversify its sources of funding and in October, issued its first asset-backed securities (ABS) in China, with a total size of over RMB 1.3 billion, marking a further contribution to the development of China's consumer finance industry.

RUSSIA & KAZAHKSTAN ("HCFB")

With declines in both real disposable income and retail sales, the Russian operations nonetheless delivered a strong performance during the year, resulting in HCFB returning to profitability in 2016 with consolidated net profit of EUR 104.5 million for the year, compared with a loss of EUR 129.6 million a year earlier. The business again benefitted from the decline in retail deposit rates which lowered the overall cost of funding while a focus on securing new loans from higher quality customers stabilized the loan book in the second half with newly underwritten loans of EUR 2.529 million. Measures to stringently manage risk resulted in a further significant decline in the overall risk metrics with risk cost falling to 6.5% (2015: 16.2%) while NPLs dropped to 6.0% of total gross loans (2015: 13.0%).

Home Credit was again the leader in the offline point of sales (POS) market in Russia with a market share of 26.3%. A special focus of the Russian operation is in developing its online presence which presents opportunities for both growth and efficiency and where it is already ahead of its peers. Home Credit now has more than 1 million online users with 30% of active customers using online services and 20% making online payments. Home Credit Russia was voted the best internet bank according to the National Banking Awards 2016.

ASIA

In 2016 Home Credit further expanded its operations in the Group's most established markets in the region - China and Vietnam. In both countries Home Credit has become a major contributor to the local consumption-driven economy, employing sixty-four thousand people in China alone. China remains Home Credit's biggest market and the Group operated in over 141 thousand retail outlets at the end of 2016, while

also being an important partner for major manufacturers seeking access to a wider customer base. Home Credit issued EUR 6.7 billion in new loans in China in 2016, a 150% increase compared to 2015. In Vietnam the EUR 786.6 million in new loans represents a year-on-year increase of 95%. This was predominantly attributed to a successful cooperation with manufacturers. Almost twenty-five percent of all clients were repeat customers, which is a further testament to the quality of Home Credit's service.

Home Credit continued the development of more nascent operations such as Indonesia, the Philippines and India. The Group's track record of adapting operations to local markets means that these countries represent significant growth opportunities for the future. In India, Home Credit continued to expand its footprint and is now present in nearly seventy cities in fifteen states, servicing customers in eleven languages through almost six thousand points of sale. In the Philippines Home Credit expanded operations from thirteen to twenty-one provinces over the period. In Indonesia Home Credit is on track to hit the one million customer mark in 2017. India has seen an acceleration in new loans rising almost 178.0% year-on-year while the Philippines increased 433.8% and Indonesia 251.0%.

HIGHLIGHTS

The Group returned to profitability posting a **net profit** of EUR 210.2 million in 2016 compared to a net loss of EUR 41.6 million in 2015. This was driven by the stabilization of the operational environment in Russia and continued growth in the Asia business.

New Loan Volume totaled EUR 11,536 million in 2016, up 75.9% from EUR 6,558 million in 2015. In Asia the Group underwrote new loans of EUR 8,017 million, a 69.5% of all Group's new volumes. The highlights were China where new volumes increased 150.3% y-o-y to EUR 6,726 million, from EUR 2,687 million in 2015 and Vietnam where an increase represented 95% y-o-y to EUR 787 million, from EUR 403 million. The increase of new loan volumes across Asia was driven by the increase of geographical presence, the roll-out of new zero-percent interest rate products and by leveraging cross selling opportunities.

The **number of the Group's active customers** grew up to 20.1 million, a 60% increase y-o-y from 12.5 million as of 31 December 2015. The Group has thus increased the number of customers in its historical database to 70.0 million from 53.4 a year ago.

HCBV's **multi-channel network** consisted of 270,537 distribution points globally as of 31 December 2016, up 45.5% compared to 2015. The multi-channel network was composed by 268,486 POS and loan offices, 328 bank branches and 1,723 post offices sites in addition to strong online presence in all markets.

The quality of HCBV's loan portfolio increased due to new higher quality loans in Russia and the increased use of big data across geographies. The NPL share (i.e. loans more than 90 days overdue) of the gross loan book was just 6.1% as at 31 December 2016, the lowest level in five years (it dropped from 10.0% in 2015). The NPL coverage ratio rose to 128.2% compared to 115.7% in 2015. Credit Risk Costs have substantially decreased to EUR 563 million from EUR 725 million year-on-year; Cost of Risk Ratio dropped almost by half to 7.6% from 13.2% a year earlier.

The Group's **general administrative and other operating expenses** increased in 2016, rising 25.7% to EUR 1,115 million from EUR 887 million. The cost-to-income ratio for the year increased to 55.7% from 54.8% in 2015.

The net loan portfolio rose to EUR 9,866 million from EUR 5,835 in 2015. This was mainly due to the ongoing growth in the Asian region.

HCBV's **customer deposits** increased 10.0% to EUR 5,401 million as of 31 December 2016, from EUR 4,909 million in 2015.

The Group's **capitalisation** remained solid with total equity of EUR 1,501 million and an equity-to-asset ratio of 10.2%.

KPIs SUMMARY

Business Results	As at Dec 31, 2016	As at Dec 31, 2015	Change, %
Loans granted YTD (EUR millions)	11,536	6,558	75.9%
Number of active clients (millions)	20.1	12.5	60.0%
Number of distribution points	270,537	185,893	45.5%
- Number of POSs and loan offices	268,486	183,488	46.3%
- Number of bank branches	328	439	(25.3%)
- Number of post offices	1,723	1,966	(12.4%)
Number of employees (thousands)	120.2	72.9	64.9%

Profit and Loss (EUR millions)	2016	2015	Change, %
Net interest income	1,531	1,207	26.8%
Operating income	2,000	1,619	23.6%
Credit risk costs ¹	(563)	(725)	(22.4%)
Operating expenses ²	(1,115)	(887)	25.7%
Net result for the year	210	(42)	N/A

1) Credit risk costs represent impairment losses on the loan portfolio

2) Operating expenses comprise general administrative and other operating expenses

Financial Position (EUR millions)	As at Dec 31, 2016	As at Dec 31, 2015	Change, %
Total assets	14,704	9,656	2.5%
Net loan portfolio	9,866	5,835	69.1%
Equity	1,501	1,196	25.5%
Wholesale funding	7,136	3,131	128.8%
Customer deposits and current accounts	5,401	4,909	10.0%

Source: Home Credit B.V., consolidated.

KEY RATIOS

Profit and Loss Ratios	2016	2015
Net interest margin ¹	14.0%	15.6%
Net interest income to operating income	76.6%	74.6%
Cost to average net loans ²	15.1%	16.1%
Cost to income ratio ³	55.7%	54.8%
Cost of risk ratio ⁴	7.6%	13.2%
ROAA ⁵	1.8%	(0.5%)

Financial Position Ratios	As at Dec 31, 2016	As at Dec 31, 2015
Net loans to total assets	67.1%	60.4%
NPL ratio ⁶	6.1%	10.0%
NPL coverage ratio ⁷	128.2%	115.7%
Deposits to total liabilities	40.9%	58.0%
Equity to assets	10.2%	12.4%
Equity and deposits to net loans ratio	70.0%	104.6%

Source: Home Credit B.V., consolidated.

Notes:

- 1) *Net interest margin is calculated as net interest income divided by the average balance of net interest earning assets.*
- 2) *Cost to average net loans is calculated as general administrative and other operating expenses divided by average net loans.*
- 3) *Cost to income ratio is calculated as general administrative and other operating expenses divided by operating income.*
- 4) *Cost of risk ratio represents impairment losses on the loan portfolio divided by average balance of net loans to customers.*
- 5) *RoAA is calculated as net profit divided by average balance of total assets.*
- 6) *NPL ratio is calculated as gross non-performing loans divided by total gross loans. The Group defines non-performing loans as collectively impaired loans that are overdue by more than 90 days as well as loans considered individually impaired.*
- 7) *NPL coverage ratio is calculated as loan loss provisions divided by gross non-performing loans.*

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NOTES TO EDITORS

Home Credit B.V. ('HCBV' or 'the Group') is an international consumer finance provider with operations in 11 countries where there is 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 120.2 thousand employees have so far served over 70 million customers through the vast distribution network comprising 270,537 points of sale, loan offices, branches and post offices. HCBV's total consolidated assets reached EUR 14.7 million as at 31 December 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 owns assets of EUR 24.2 billion (as at 30 June 2016). *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. Jiří Šmejč. *More information on Emma Capital is available at www.emmacapital.cz.*