



Home Credit & Finance Bank, ul. Pravdy 8, 125040 Moscow, Russia  
Tel.: +7 495 514 1019, Fax: +7 495 785 8218  
Press@homecredit.ru, www.homecredit.ru

## Press release

### Home Credit and Finance Bank, Moscow

#### 1H 2014 IFRS results: Early positive signs although weakening economy continues to adversely affect HCFB's results

**Moscow, 29 August, 2014:** 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 2014 in accordance with International Financial Reporting Standards (IFRS).

HCFB is rated by Moody's at Ba3, and by Fitch at BB. SB JSC Bank Home Credit (Kazakhstan), a 100% subsidiary of HCFB, is rated by Fitch at BB-.

*"While the challenging economic environment continues to impact our performance, the swift measures taken last year and earlier this year led to an improved second quarter with the pace of decline slowing considerably. Importantly, we have also maintained our financial strength with a robust capital adequacy ratio of 23.7% and a strong cash position, while remaining fully compliant with the new challenging regulations in a constantly evolving regulatory environment.*

*The new loans granted since we imposed stricter conditions in mid-2013 continue to show signs of improved quality and performance, which will enhance our risk profile in the medium term. Shrinking the loan portfolio has however caused the ratio of non-performing loans to increase in the short run. On deposits, we are pleased to report an increase in retail deposits from the previous quarter: a strong sign of customers' confidence in the bank.*

*Home Credit prides itself on its reputation as an industry-leading responsible lender and is committed to building on its strong position in the consumer lending and retail banking sector in Russia. These results give us confidence that we continue to be on the right track. ."*

**Ivan Svitek,  
Chairman of the Management Board, HCFB**

The macroeconomic backdrop has continued to weaken in Russia in the first half of 2014 and the consumer finance sector has been particularly impacted by the on-going regulatory reform. In response to these tighter market conditions HCFB has implemented a number of initiatives, including re-calibrating its risk-management and collection procedures, cutting costs and improving its customer service offering.

The Bank continues to manage cautiously its business with an increased focus on reducing risk costs and improving loan quality. Early positive signs of this enhanced approach to risk management are already emerging with newer loans exhibiting a lower level of risk, for example, the number of defaults on first payments being five times lower for some products. However, loans issued before these measures were put in place continue to impact our profitability resulting in a loss for the first half of 2014. Encouragingly, compared with the first quarter, the

---



pace of loss over the first half has slowed substantially, and portfolio quality has stabilized as new loans are being underwritten. Management remains focused on improving the risk profile of both existing and future customers.

## HIGHLIGHTS

- **Operating income for the reporting period fell 18.4% to RUB 36.5 billion** (1H 2013: RUB 44.7 billion). The drop in operating income was mainly driven by an intentional policy to underwrite fewer loans compared to year ago. It reflects also the weaker outlook in Russia.
- **Net loss for the first half of 2014, on IFRS basis, was RUB 4.0 billion, generated predominantly from loans originated before the middle of 2013.** On a Russian accounting standards basis, which is principally used by our peers in the sector, HCFB recorded a stand-alone profit of RUB 0.7 billion.
- **HCFB achieved net interest margin of 18.4% despite the tougher market conditions.**
- **General administrative and other operating expenses rose 6.8% to RUB 13.9 billion, reflecting business development in Kazakhstan.** The Bank continued to manage effectively its operating expenses with cost-to-income ratio of 38.1% and cost-to-average-net-loans ratio of 10.4%. The increase of cost-to-income ratio was primarily driven by the reduction in income, while expenses did not grow dramatically.
- **Total assets amounted to RUB 332.5 billion down 7.4% since the end of 2013 in light of decrease in business volumes.**
- **Net loans decreased 12.8% to RUB 249.5 billion at 30 June 2014** (YE 2013: RUB 285.9 billion), **with RUB 120.7 billion new loans granted** (1H 2013: RUB 182.4 billion). Given the changes in the regulatory and macro environment in Russia and also as a result of a tightening in the Bank's underwriting standards, the growth rates in the volume of cash loans were intentionally reduced from the middle of 2013. In response to regulatory reform in 2013, the Bank optimized its product line and reduced interest rates.
- **Retail deposit and current account balances were RUB 208.7 billion as at 30 June 2014, down 2.8% since YE2013. Deposit and current account balances comprised 75.5% of the Bank's liabilities.** The ratio of loans to deposits was 116.6% at the end of the reporting period, confirming the Bank's continued focus on retail deposits as a major funding source. The deposits outflow in the first half of 2014 reflects the decreased volumes of lending. At the same time retail deposits and current accounts grew 6.3% in the second quarter of 2014, which showed continued customer confidence in the Bank.
- **Non-performing loans (NPL) grew to 16.1% of total gross loans** (YE2013: 11.7%) **in line with the market trend of asset quality decline.** HCFB continues to apply a conservative provisioning policy with NPL provision coverage of 107.2%. NPL growth has been driven by older loans made during 2012 and 2013, which was a period of rapid growth in Russia. In the first half of 2014 HCFB was one of the few players in the market who did not increase its credit portfolio. The proactive decision to underwrite fewer new loans means that NPLs represent a larger share of the total, however, the risk profile of loans granted since the middle of 2013 is healthier as a result of actions taken to reduce risk. New loans accounted for almost half of the credit portfolio.
- **HCFB remains strongly capitalised with consolidated capital adequacy ratio (CAR) of 23.7% at 30 June 2014** (YE2013: 23.5%). Capital adequacy ratio, based on standards set by the CBR, was 13.7% at 30 June 2014.



- **HCFB serves about 4.9 million active customers** through 1,064 bank branches, 8,669 loan offices, over 93,000 points of sale, and 1,293 ATMs across Russia and Kazakhstan. The Bank's client base comprised 30.2 million customers at 30 June 2014.

For full details of HCFB's H1 2014 financial results, please visit: <http://www.homecredit.net/>.

## FINANCIAL SUMMARY

<i>Balance Sheet (RUB million)</i>	<b>1H 2014</b>	<b>2013</b>	<b>Change %</b>
<b>Total assets</b>	332,500	358,934	-7.4
<b>Net loan portfolio</b>	249,453	285,913	-12.8
<b>Equity</b>	49,396	55,196	-10.51

<i>Income Statement (RUB million)</i>	<b>1H 2014</b>	<b>1H 2013</b>	<b>Change %</b>
<b>Operating income</b>	36,486	44,700	-18.4
<b>Profit before tax</b>	(4,765)	9,703	-149.1
<b>Net profit</b>	(4,018)	7,540	-153.3

## KEY RATIOS

	<b>1H 2014, %</b>	<b>2013, %</b>	<b>1H 2013, %</b>
<b>Return on average assets (ROAA)<sup>1</sup></b>	-2.3	3.1	4.2
<b>Return on average equity (ROAE)<sup>2</sup></b>	-15.4	20.9	28.8
<b>Cost-to-income ratio<sup>3</sup></b>	38.1	31.2	29.1
<b>Capital adequacy ratio</b>	23.7	23.5	20.0
<b>NPL<sup>4</sup></b>	16.1	11.7	8.5
<b>Cost of risk<sup>5</sup></b>	20.4	17.6	17.0

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 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 for the period divided by average balance of net loans to customers.

## CONTACTS FOR INVESTORS

### **Bulat Zogdoev**

Head of Investor Relations  
Home Credit and Finance Bank  
Tel.: +7 985 774 3118  
E-mail: [bulat.zogdoev@homecredit.ru](mailto:bulat.zogdoev@homecredit.ru)

## CONTACTS FOR JOURNALISTS

### **Iren Shkarovskaya**

Head of Strategic Communications  
Home Credit and Finance Bank  
Tel.: +7 495 514 1019  
E-mail: [ishkarovskaya@homecredit.ru](mailto:ishkarovskaya@homecredit.ru)

### **Milan Tomanek**

Head of Group Public Relations  
Home Credit B.V. (Home Credit International a.s.)  
Tel: +420 224 174 066  
E-mail: [milan.tomanek@homecredit.eu](mailto:milan.tomanek@homecredit.eu)



## NOTES TO EDITORS:

**Home Credit & Finance Bank [Moody's Ba3, Fitch BB]** 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 30.2 million contacts. HCFB's products are distributed through over 93,000 points of sale in Russia and Kazakhstan. The Bank's network also comprised 9,733 branches and offices and 1,293 ATMs across the Russian Federation and Kazakhstan as at 30 June 2014.

More information is available at [www.homecredit.ru](http://www.homecredit.ru), [www.homecredit.kz](http://www.homecredit.kz)

**Home Credit B.V. ("HCBV")** is a leading multi-channel provider of consumer finance in Central and Eastern Europe (CEE) and Asia. Founded in 1997, HCBV is focused on the eight key consumer finance markets of the Czech Republic, Slovakia, the Russian Federation, Belarus, Kazakhstan, China, India, Indonesia and is developing a new business in the Philippines\*. HCBV's core business is to provide consumer finance lending to qualified mass market retail customers (POS loans, cash loans, revolving loans, credit cards and car loans). As its business expands HCBV is also selectively adding retail deposit and current account services for its customers in the markets where it holds a banking licence. Its 53.9 thousand employees have so far served 39.8 million customers through its vast distribution network comprising 145,236 points of sale, loan offices, branches and post offices. HCBV's total consolidated assets reached EUR 8.8 billion as at 30 June 2014. More information is available at [www.homecredit.net](http://www.homecredit.net)

Majority shareholder (86.62% stake) of Home Credit B.V. is **PPF Group N.V. ("PPF")**. PPF invests into multiple market segments such as banking and financial services, telecommunications, insurance, real estate, energy, metal mining, agriculture, retail and biotechnology. PPF's reach spans from Central and Eastern Europe to Russia and across Asia. PPF Group owns assets of EUR 20.9 billion (as at 31 December 2013). More information about PPF Group N.V. is available at [www.ppf.eu](http://www.ppf.eu)

Minority stake (13.38%) of Home Credit B.V. is held by **EMMA OMEGA LTD**, an investment holding company ultimately owned by Mr. Jiří Šmejč.

\* Home Credit B.V. also executed agreements with PPF Group N.V. concerning the future acquisition of a 100% ownership stake in the following companies: Home Credit Consumer Finance Co., Ltd. [China], CF Commercial Consulting (Beijing) Co. Ltd. [China] and PPF Vietnam Finance Company Limited [Vietnam]. The completion of the transactions is subject to obtaining regulatory approval from the respective regulators in China and Vietnam. Therefore, these three entities were not consolidated as at 30 June 2014.