

Press Release

Home Credit B.V.: IFRS consolidated results for the year ended 31 December 2015

A profitable second half powered by improved performance from restructured Russian business and rebalancing towards high-growth Asian markets

Amsterdam, 11 March 2015: 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 and Asia, announces its consolidated financial results for the year ended 31 December 2015 in accordance with International Financial Reporting Standards (IFRS).

"The positive trend seen in Q3 was confirmed in Q4, resulting in a profitable second half for the Group. While this did not fully offset the first half performance, it is clear that our strategy of expanding our presence in the high-growth Asian markets, our strong position in China, and our swift response to the difficult economic conditions in Russia are delivering tangible benefits. We are confident we are on the right path.

In Russia, our focus was on returning to profitability and we achieved this in the fourth quarter, although volatility is expected to continue. The measures we took there both to address costs and strengthen the quality of our customer base continued to bear fruit. To be clear, the economic situation in this market is still difficult but we remain vigilant.

Our Asian operations go from strength to strength. We have an excellent position in China where domestic consumption continues to rise in what remains one of the most dynamic economies in the world. In October, we set a new record in Home Credit China, adding a million new customers. India is also an exciting market for us with strong potential. It is growing quickly with operations in 31 cities, and we are investing to support that growth.

We enter 2016 in a solid position. While Russia stabilises, Asia is driving forward. Our proven ability to react quickly to changing macroeconomic conditions, and to recognise and capture new opportunities, enabled us to invest into an unrivalled scale-up in four big Asian markets. This has put our business on the best possible footing for the future. Financial discipline, an industry-leading customer value proposition and healthy growth remain our targets for the year ahead."

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

OVERVIEW

Assertive action to address the ongoing economic challenges in Russia, combined with continued investment in the growth markets of Asia, enabled the Group to build on the good performance in Q3 and deliver a positive result for the second half – a net profit of EUR 48.8 million. Asia remains key and the bulk of the EUR 173 million invested in 2015 by the Group across its operations was targeted in this region to support both the early

stage operations in India, Indonesia and the Philippines and the rapid expansion in China.

China posted record months in September and October and more than doubled the volume of new loans in 2015 in EUR terms to EUR 2.7 billion. In Indonesia, we extended operations into two key cities, Surabaya and Makassar, while in the Philippines we acquired our 100,000th customer just two years after launching. Over 1 million customers used our services in Vietnam in 2015, up 20% year-on-year, with 5,400 applications daily.

As a result of this strong growth, in 2015 China represented 41.0% of new loan volumes, compared to 17.8% in 2014, while Asia as a whole accounted for 56.2% of the Group's new loan volume. This reflects our successful diversification, particularly as we reduce volumes in Russia both to address the economic realities of that market and to focus on retaining and attracting higher-quality customers.

Engendering financial literacy remains the cornerstone of our approach and with 12.5 million active customers across the Group, Home Credit is broadening financial inclusion and improving customers' understanding of how to borrow responsibly. In China in 2015, we were recognised by the first major independent report on consumer finance as the country's leader in financial inclusion. With consumer credit in Asia expanding rapidly – for instance, it has grown five-fold in Vietnam over the past five years – Home Credit's commitment to lend responsibly with a focus on affordability is a key differentiator, especially for first-time borrowers.

HIGHLIGHTS

The profitable performance in Q3 and Q4 led to a **reduced net loss for the full year 2015 of EUR 41.6 million**, down from EUR 60.5 million a year earlier. While the Group posted a first-half net loss of EUR 90.4 million, it posted a second-half profit of EUR 48.8 million, buoyed by a strong performance in China, good growth in Vietnam, and as measures to address the tough economic environment in Russia delivered results.

New Loan Volume was EUR 6,558 million in 2015, down just 3.4% from EUR 6,792 million in 2014, as increasing traction with customers in high-growth Asian markets in particular offset the decline in volumes in Russia, which reflected the more cautious approach to lending in the region given the economic conditions. New volumes in China more than doubled in EUR terms, underscoring the importance of this market to the Group portfolio.

Operating income was impacted by the more conservative approach to lending in Russia, declining 16.9% to EUR 1,619 million (2014: EUR 1,949 million) while **net interest income contracted 13.4% to EUR 1,193 million** compared to EUR 1,377 million a year earlier. This in turn led to a reduction in the **net interest margin which reduced to 15.4%** (2014: 18.0%).

Despite the strong growth in Asia, the Group's **general administrative and other operating expenses were held relatively steady in 2015, rising 1.7% to EUR 887 million** from EUR 871 million. The cost-to-income ratio for the year increased to 54.8% from 44.7% in 2014, largely reflecting the decline in income during the year.

The effect of the strong performance in Asia, which represents an ever-increasing proportion of the new loan volumes, and the benefit of the tightened lending criteria in Russia is seen in **the increased quality of HCBV's loan portfolio**: as at 31 December 2015, the NPL share (i.e. loans more than 90 days overdue) of the gross loan book was just 10.0% (31 December 2014: 15.3%) while the **NPL coverage ratio rose to 115.7%** at year-end (31 December 2014: 106.4%).

Impairment losses were EUR 725 million for 2015, substantially down from EUR 1,116 million in 2014, a decline of 35.0% reflecting a consistent reduction period-on-period throughout the year.

As it focused on returning Russia to profitability during the year, the Group optimised its Russian distribution network, reducing the number of branches. At the same time, the Group quickly expanded its operations in Asia where it is seeing strong growth. As at 31 December 2015, HCBV's **multi-channel network consisted of 185,893 distribution points, up 11.7%** with 183,488 POS and loan offices, 1,966 post offices and 439 bank branches. At the end of the year the Group had 72,904 employees.

The net loan portfolio rose to EUR 5,835 million (31 December 2014: EUR 5,060 million) largely because of strong growth across the Group's Asian operations, particularly China, and the acquisition of Air Bank in June 2015.

HCBV's customer deposits were EUR 4,909 million at 31 December 2015, an almost 70% increase compared to the end of 2014 (31 December 2014: EUR 2,890 million), predominantly as a result of the Group's acquisition of Air Bank in the Czech Republic. The share of current account balances and term deposits now comprises 58.0% of total liabilities (31 December 2014: 49.8%).

HCBV's capitalisation remained solid with total equity of EUR 1,196 million and an equity-to-assets ratio of 12.4% (31 December 2014: 17.6%).

KPIs SUMMARY

<i>Business Results</i>	As at Dec 31, 2015	As at Dec 31, 2014	Change, %
Loans granted YTD (EUR millions)	6,558	6,792	(3.4%)
Number of active clients (millions)	12.5	9.1	37.4%
Number of distribution points	185,893	166,377	11.7%
- Number of POSs and loan offices	183,488	162,796	12.7%
- Number of bank branches	439	853	(48.5%)
- Number of post offices	1,966	2,727	(27.9%)
Number of employees (thousands)	72.9	58.3	25.0%

<i>Profit and Loss (EUR millions)</i>	2015	2014	Change, %
Net interest income	1,193	1,377	(13.4%)
Operating income	1,619	1,949	(16.9%)
Credit risk costs ¹	(725)	(1,116)	(35.0%)
Operating expenses ²	(887)	(871)	1.7%
Net result for the year	(42)	(60)	(31.2%)

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

2) Operating expenses comprise general administrative and other operating expenses

<i>Financial Position (EUR millions)</i>	As at Dec 31, 2015	As at Dec 31, 2014	Change, %
Total assets	9,656	7,037	37.2%
Net loan portfolio	5,835	5,060	15.3%
Equity	1,196	1,239	(3.5%)
Wholesale funding	3,131	2,552	22.7%
Customer deposits and current accounts	4,909	2,890	69.9%

Source: Home Credit B.V., consolidated.

KEY RATIOS

Profit and Loss Ratios	2015	2014
Net interest margin¹	15.4%	18.0%
Net interest income to operating income	73.7%	70.7%
Cost to average net loans²	16.1%	13.9%
Cost to income ratio³	54.8%	44.7%
Cost of risk ratio⁴	13.2%	17.8%
ROAA⁵	(0.5%)	(0.7%)

Financial Position Ratios	As at Dec 31, 2015	As at Dec 31, 2014
Net loans to total assets	60.4%	71.9%
NPL ratio⁶	10.0%	15.3%
NPL coverage ratio⁷	115.7%	106.4%
Deposits to total liabilities	58.0%	49.8%
Equity to assets	12.4%	17.6%
Equity and deposits to net loans ratio	104.6%	81.6%

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 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 billion as at 31 December 2015. *More information on HCBV is available at www.homecredit.net.*



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The company is incorporated in the trade register of the Chamber of Commerce for Amsterdam under the file number 34126597.

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. Jiří Šmejč.