Home Credit B.V.: IFRS consolidated results for the period ended 30 September 2017 - Strong Performance across the Group's Entire Footprint

27 Nov 2017

Amsterdam, 27 November 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 nine-month period ended 30 September 2017 in accordance with International Financial Reporting Standards (IFRS).

"We delivered another period of profitable growth in the first nine months of the year, based on our solid performance across the footprint. This profitability was delivered notwithstanding a massive investment, predominantly in China and India, to achieve market leadership. We have now built scale positions in the majority of our regions and this is reflected in strong new loan generation.

Russia continued to perform strongly and delivered an excellent increase in profitability. In China, after a period of solid growth, we now have a network of significant scale and steadily increasing productivity.

Vietnam and Kazakhstan both exhibited continued good growth with strong new business volumes leading to an exceptional sales and profit performance.

Our other Asian operations, although at different stages of scale and maturity, are developing as planned and show a dynamic growth and profit story. The Philippines has now approached breakeven, while Indonesia and India remain on track to expand their network reach. We expect them to achieve a break-even run rate in the near term.

And in the US, our newest market, we built on the successful cooperation with our joint venture partner Sprint Corporation by launching a credit card business.

Over the past nine months, Home Credit's distribution network has expanded to nearly 400,000 sites worldwide and we now have more than 28 million active customers. Our approach remains that of balancing growth with risk and costs to deliver strong outcomes for all our stakeholders. At the same time, we are transforming the group to a consumer financing fintech through the increased use of technology. We have a highly attractive portfolio of businesses underpinned by *a consistent strategy that positions us for further profitable growth. I remain confident in the ability of our employees and the Group to deliver.”*

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

MARKET OVERVIEW

Home Credit’s net profit for the first nine months rose to EUR 232 million, compared to EUR 131 million in the same period last year. This was largely due to strong customer demand for the Group’s offerings, which has generated new loan volumes of EUR 14,927 million, up 94.6% compared to the same period last year. The NPL ratio came to 6.2% at the end of the period, in line with Home Credit’s balanced approach to have scale across its geographical footprint while maintaining the high quality of the loan portfolio.

In Russia, Home Credit successfully completed its rebranding campaign, which saw the introduction of three new flagship products: an online marketplace, which offers over 10,000 products on 0%-interest loans; a new 0%-interest shopping card; and a new debit card. These moves were well received and resulted in increased satisfaction ratings. Online sales continue to grow significantly. The volume of card transactions also increased by 37% year-on-year. Meanwhile, the Russia business retained its leading position in POS sales and delivered double-digit growth in cash loan cross-sells. Home Credit remains highly focused on prudent credit risk management, which, combined with the overall strong performance, has led to Fitch Ratings upgrading HCFB’s Long-Term Issuer Default Rating to BB-/outlook stable.

In China, Home Credit’s success in establishing a national POS product offering enabled the Group to achieve a network of significant scale, allowing it to further focus on improving the efficiency and performance of its operation. The Group continued to develop new sales channels such as its mobile application, which demonstrated exceptional growth in usage.

The good sales performance in Kazakhstan stemmed from cooperation with key retail chains and the full implementation of risk-based pricing. In Vietnam, Home Credit increased its market share and has become the first choice for customers, with a strong position in consumer durables. The two businesses remain significant contributors to the Group’s profitability.

In India, Home Credit’s distribution network reached almost 20,000 points of sale and the Group is now achieving substantial cross-sell volumes, which ranked third after China and Russia over the last quarter. In addition, the quality of the Group’s credit was reflected by its ability to execute the first consumer durables loan securitization transaction in India in over a decade.

In Indonesia, Home Credit is now the leader in terms of market share in the POS business. The Group is fine-tuning its scoring models through improved use of risk data, which is expected to lead to higher eligibility and better cross-sell rates there.

HIGHLIGHTS

- The Group posted a net profit of EUR 232 million in the first nine months of 2017, compared to a net profit of EUR 131 million for the same period in 2016. The Group further enhanced its risk predicting models to limit the volatility of the risk costs as recognized in the income statement. This led to a minor release of existing collective allowances for impairment (by EUR 61 million out of EUR 1,017 million) that has benefited the net profit in Q3.
- The NPL coverage remains at a very conservative level of 120.4% down from 128.2% at the end of 2016.
- HCBV’s multi-channel network consisted of 398,572 distribution points globally as of 30 September 2017, up 65.1% compared to a year ago, with 396,530 POS and loan offices, 313 bank branches and 1,729 post office sites. The bulk of the expansion of the network occurred in Asia.
- The number of actively served clients rose to 28.7 million as at 30 September 2017, compared with 16.8 million a year ago.
- Operating income in the first nine months of 2017 increased 56.6% year on year to EUR 2,187 million (9M 2016: EUR 1,397 million).
- Net interest income was up 58.3% to EUR 1,690 million from EUR 1,068 million in the same period last year.
- The net interest margin rose slightly to 14.2% for the first nine months from 14.1% in 9M 2016.
- Impairment losses were EUR 688 million, up 69.0% compared to the same period last year, reflecting a significantly larger loan portfolio.
- General administrative and other operating expenses in the first nine months of 2017 increased 46.7% to EUR 1,157 million (9M 2016: EUR 789 million), reflecting the overall growth of the business.
- New loan volumes totaled EUR 14,927 million for the first nine months of 2017, up 94.6% year on year (9M 2016: EUR 7,669 million). In China, new loan volumes rose 126.8% compared to a year earlier to EUR 9,714 million. In Vietnam and Russia new volumes increased by 59.2% and 21.5% respectively.
- The net loan portfolio increased to EUR 13,888 million, up 40.8% in the nine-month period (2016: EUR 9,866 million), reflecting strong growth in new volumes.

- The quality of the loan portfolio remains strong. The NPL (i.e. loans more than 90 days overdue) share on the gross loan book declined to 6.2% (9M 2016: 7.1%).
- HCBV's customer deposits reached EUR 6,341 million as at 30 September 2017, up 17.4% compared to the end of 2016.
- HCBV remains sufficiently capitalized with total equity of EUR 1,736 million (FY 2016: EUR 1,501 million) and an equity-to-asset ratio of 8.9% (FY 2016: 10.2%).

KPIS SUMMARY

Business Results	**Q3 2017**	**YE 2016**	**Q3 2016**
Loans granted YTD (EUR million)	14,927	11,536	7,669
Number of active clients (million)	28.7	20.1	16.8
Number of distribution points	398,572	270,537	241,460
- Number of POSs and loan offices	*396,530*	*268,486*	*239,159*
- Number of bank branches	*313*	*328*	*359*
- Number of post offices	*1,729*	*1,723*	*1,942*
Number of employees (thousand)	155.1	120.2	103.9
Profit and Loss (EUR million)	**Q3 2017**	**YE 2016**	**Q3 2016**
Net interest income	1,690	1,532	1,068
Operating income	2,187	2,000	1,397
Credit risk costs[1]	(688)	(563)	(407)
Operating expenses[2]	(1,157)	(1,115)	(789)
Net result for the period	232	210	131

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

2) Operating expenses comprise general administrative and other operating expenses

Financial Position (EUR million)	Q3 2017	YE 2016
Total assets	19,490	14,704
Net loan portfolio	13,888	9,866
Equity	1,736	1,501
Wholesale funding	10,715	7,163
Customer deposits and current accounts	6,341	5,401

Source: Home Credit B.V., consolidated.

KEY RATIOS

Profit and Loss Ratios	Q3 2017	YE 2016	Q3 2016
Net interest margin[1]	14.2%	14.0%	14.1%
Net interest income to operating income	77.3%	76.6%	76.5%
Cost to average net loans[2]	13.0%	15.1%	15.5%
Cost to income ratio[3]	52.9%	55.7%	56.5%
Cost of risk ratio[4]	7.7%	7.6%	8.0%
ROAA[5]	1.8%	1.8%	1.6%
Financial Position Ratios	**Q3 2017**	**YE 2016**	**Q3 2016**
Net loans to total assets	71.3%	67.1%	64.8%
NPL ratio[6]	6.2%	6.1%	7.1%
NPL coverage ratio[7]	120.4%	128.2%	123.5%

Deposits to total liabilities	35.7%	40.9%	45.2%
Equity to assets	8.9%	10.2%	10.8%
Equity and deposits to net loans ratio	58.2%	70.0%	79.0%

Source: Home Credit B.V., consolidated.

Ratios are annualized where applicable.

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.

CONTACTS FOR INVESTORS

Christoph Glaser

Group Chief Financial Officer

Home Credit B.V. / Home Credit International, a.s.

Tel.: +420 224 174 319

E-mail: christoph.glaser@homecredit.eu

CONTACTS FOR MEDIA

Milan Tomanek
Group Head of Public Relations
Home Credit B.V. / Home Credit International, a.s.
Tel.: +420 224 174 066
E-mail: milan.tomanek@homecredit.eu

NOTES TO EDITORS

Home Credit B.V. ('HCBV' or 'the Group') is an international consumer finance provider with operations in 10 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 155 thousand employees have so far served over 90 million customers through the vast distribution network comprising 398,572 points of sale, loan offices, branches and post offices. HCBV's total consolidated assets reached EUR 19,490 million as at 30 September 2017. *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 34.8 billion (as at 30 June 2017). *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 Šmejc. *More information on Emma Capital is available at www.emmacapital.cz.*