

Press Release

Home Credit's response to the global pandemic underscores the resilience of its business model with development of robust reserves, a liquidity cushion and accelerated digitalization

Home Credit Group's First-half 2020 Results

Executive Summary:

- Against the backdrop of the unprecedented global health crisis, lockdowns and regulatory measures, Home Credit Group remained fully operational, responding decisively and effectively to new operational conditions as well as to the increase in expected credit losses.
- HCGBV swiftly tightened underwriting rules, focused on repeat customers to mitigate pandemic-induced risk and increased loan loss provisions to EUR 1.8 billion, leading to a net loss of EUR 619 million for the six months to 30 June 2020.
- HCGBV has maintained strong liquidity and capital positions. The Group implemented measures leading to a 25% run rate operating cost reduction as of 2H 2020.
- HCGBV accelerated its global digitalization strategy to hasten the transformation of its physical distribution network to a more cost-efficient operation.
- With the phasing out of lockdowns and social-distancing restrictions, HCGBV's resilient business model saw early signs of recovery in late 2Q, which continued in July and August.
- Throughout the pandemic, HCGBV supported its customers with multiple relief measures beyond those mandated and safeguarded its employees' health and their well-being.

Amsterdam, 25 September 2020 – During the height of the unprecedented measures to restrict social and business activities across all its countries, Home Credit Group B.V. ("HCGBV" or "the Group") remained fully operational, adapted to the reality of the pandemic, and created substantial reserves to offset the elevated credit risk. By doing so, it has tackled the impact of the crisis decisively and embarked on a path to a post-COVID recovery in its markets.

Responding to this adverse environment, HCGBV increased its provisions leading to an overall loss in ongoing operations. The Group also quickly implemented stricter loan underwriting rules and stepped up initiatives to enhance cash collection, generating a strong liquidity cushion. On the operational side, HCGBV stepped up its global digital transformation programme, refining its physical distribution network and leveraging innovative technology and software in order to improve cost efficiency.

Jean-Pascal Duvieusart, CEO of Home Credit Group B.V., said:

“The simultaneous impact of the coronavirus pandemic on all the markets where Home Credit operates is something we have never faced before. It is a credit to our teams and to our business model that we remain well-positioned going into the latter part of the year. I am confident that by keeping our business intact despite such strong headwinds, recalibrating our operations to reflect the changing environment and assisting our communities most hurt by this health crisis, HCGBV can draw a line under the first-half performance. I am encouraged to see that our business has already been improving since late in the second quarter. Barring further economic shocks, we expect the business to continue rebounding in the second half of 2020.”

Key Financial Highlights for 1H 2020

<i>Income Statement</i>	1H 2020	1H 2019	YoY Change
Net (Loss) Income (EUR million)	(619)	250	N/A
Net Interest Income (EUR million)	1,698	1,803	(5.8%)
Net Interest Margin	14.9%	15.6%	(0.7ppt)
Impairment Losses (EUR million)	1,791	871	105.6%

<i>Balance Sheet</i>	30 Jun 2020	31 Dec 2019	YTD Change
Total Assets (EUR million)	22,506	26,590	(15.4%)
Total Net Loans to Customers (EUR million)	16,157	20,185	(20.0%)

<i>Key Ratios</i>	1H 2020	1H 2019	YoY Change
Cost of Risk Ratio	17.8%	8.5%	9.3ppt
NPL Coverage Ratio	197.8%	124.1%	73.7ppt
	30 Jun 2020	31 Dec 2019	YTD Change
Liquid Assets-to-Total Assets Ratio	20.8%	18.1%	2.8ppt
Allowance-to-Gross Loans Ratio	12.2%	7.3%	4.9ppt
Non-Performing Loans Ratio	6.2%	5.6%	(0.6ppt)

<i>Operational Indicators</i>	30 Jun 2020		
Total Customers in Database (millions)	135.4		

Lockdown measures curbed consumer spending both by limiting access to brick-and-mortar stores across HCGBV’s markets and by creating spending constraints and hesitancy among consumers.

The pandemic severely impacted the Group’s new loan volumes across its footprint and forced the Group to adopt more stringent underwriting, resulting in a 44% year-on-year decline in new loan volumes to EUR 5.9 billion in first half 2020. As a result, total consolidated net loans declined 20.0% in the six months to 30 June 2020 to EUR 16.2 billion.

To offset the difficulties with new customer acquisition offline, HCGBV focused on improving engagement with its existing client pool and strengthened its digital distribution and repayment channels.

The Group was able to limit the year-on-year decline in operating income to 10.2%, decreasing to EUR 1.9 billion for the first half, compared to a 20.0% decrease in net loans. The Group also actively focused on cost control and improving its operating efficiency

through the expedited execution of its digital strategy. In the second quarter, the Group's operating expenses were 17.4% lower compared to the final quarter of 2019.

As anti-pandemic restrictions and loan payment moratoria took hold, the Group proactively assessed its portfolio and created reserves to draw a line in the sand and cover the impact on its credit portfolio. In the first half, impairment provisions rose to EUR 1.8 billion from EUR 871 million. The increased provisioning corresponds to HCGBV's conservative view of the scope for potential loan defaults.

During the first half, the NPL ratio increased slightly to 6.2% from 5.6% at the end of 2019 and as at the end of June, the Group had 10.3% of its loan portfolio subject to payment holidays. The coverage ratio for the overall loan portfolio or allowance-to-gross loans increased to 12.2% as of 30 June 2020, from 7.3% at the end of 2019. The Group therefore boosted its non-performing loan coverage ratio to 197.8% as of 30 June 2020, from 124.1% a year earlier.

This prudent approach creates a solid foundation for anticipated business recovery, which has been observed since late in the second quarter. While allowing for possible temporary flare-ups of the pandemic in the coming months, the Group is now focused on business opportunities in a post-COVID environment.

Amid COVID-19 restrictions, the Group accelerated the implementation of its global digital strategy leveraging its 81 million registered mobile application users. The strategy focuses chiefly on driving online sales via HCGBV's proprietary mobile app, introducing paperless sales processing at physical stores, rolling out our e-commerce portals, and using voice- and chat-bots at customer care centres. This rapid digitalization is streamlining the Group's omni-channel distribution network by making its sales points entirely self-serviced or operated by retailers' staff. The transition has allowed HCGBV to transfer tasks from its own sales teams to external parties, demonstrating how existing market trends are being propelled by the pandemic. These adjustments have also allowed the Group to reduce its operating costs, including on personnel.

With many economies around the world starting to reopen in late May and early June, HCGBV has begun to see signs of improved loan demand across its operations. This positive financial and operational trend continued through July and beyond.

During the period, HCGBV maintained its strong capital position with an equity-to-net loans ratio of 12.8%. Ongoing diversification of funding also continued with HCGBV maintaining access to local and international banking partners. Total equity as of 30 June 2020 was EUR 2.1 billion.

Putting Employees, Customers and Communities First

Throughout the pandemic, the Home Credit has prioritized employee health and safety and support for its customers and partners.

HCGBV quickly carried out its necessary business continuity plans and adapted to the evolving circumstances in all its markets. HCGBV provided customers whose incomes were impacted by the pandemic with both government-mandated payment relief plans and additional assistance, including late fee waivers and extended payment insurance policies. The Group also ensured that its customers were informed about the assistance available to them.

HCGBV offered its employees options to enable them to continue working as safely as possible, including working remotely from home. Wherever possible, HCGBV provided

24/7 hotlines to give employees access to medical advice and mental health counselling from telemedicine professionals. The Group also supported those employees most affected by the health crisis with supplementary health insurance, financial donations and other aid.

HCGBV strived to help all the local communities where it operates affected by the COVID-19 pandemic. In total, the Group has distributed over 55 tonnes of emergency medical equipment, including face masks, respirators and testing kits, with a value of over EUR 5 million. In addition, HCGBV donated and distributed food and financial aid to affected areas.

As the current situation evolves, the Group will continue to maintain its focus on supporting employees, customers and partners, contributing to the recovery in all its communities.

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NOTES TO EDITORS

Founded in 1997, Home Credit focuses on responsible lending primarily to people with little or no credit history. As a leading consumer finance provider, Home Credit Group B.V. ("HCGBV" or "the Group") is fully licensed to operate in highly attractive markets. It drives and broadens financial inclusion for unbanked populations by providing a positive and safe borrowing experience – a first for many of our customers.

The Group as represented in this press release is an international consumer finance provider with operations in ten countries. As of 30 June 2020, HCGBV has been active in Central and Eastern Europe (the Czech Republic and Slovakia), the Commonwealth of Independent States (Russia and Kazakhstan), China, South East Asia (India, Indonesia, the Philippines, Vietnam), and in the U.S. The Group has so far served over 135.4 million customers through a vast distribution omnichannel network comprising 346,354 points of sale, loan offices, branches, post offices, car dealerships and ATMs. HCGBV's total consolidated assets reached EUR 22.5 billion. All figures in these Notes for Editors are current as at 30 June 2020. *More information about HCGBV is available at www.homecredit.net.*

HCGBV is a 91.12% subsidiary of **PPF Financial Holdings B.V.** PPF Financial Holdings B.V. is a 100% subsidiary of **PPF Group N.V.** ("PPF"). PPF invests in 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 48.6 billion (as at 31 December 2019). *More information about PPF is available at www.ppf.eu.*

A minority stake (8.88%) of Home Credit Group B.V. is held by **EMMA OMEGA LTD**, an investment holding company owned by Jiří Šmejč. *More information about Emma Capital is available at www.emmacapital.cz.*