



**International Personal Finance**  
**Q1 2016 trading update**  
**4 May 2016**

**Highlights**

- Group customer numbers increased year-on-year by 3%
  - Home credit growth of 1%
  - IPF Digital growth of 53%
  
- Group Q1 growth in proforma credit issued of 6%
  - Home credit growth of 3%
  - IPF Digital proforma growth of 31%
  
- New product offering rolled out in Poland to comply with total cost of credit cap legislation
  
- IPF Digital delivered a strong performance and its expansion plans in its new markets are progressing in line with expectations
  
- Credit quality overall remains well controlled and at the lower end of our target range – annualised impairment as a percentage of revenue 26.1%

*In order to show the underlying performance of the group all trading metrics in this update exclude our Slovakian business which, as previously announced, is being wound down.*

**Group and market overview**

Year-on-year, we increased customer numbers by 3% and delivered credit issued growth of 6% with strong performances from our home credit operations in Southern Europe and IPF Digital, offset partially by a slower performance in Mexico. Our Group collections performance was good and impairment as a percentage of revenue at 26.1% is at the lower end of our target range of 25% to 30%.

In February, we communicated our evolved strategy which was developed to meet the changing consumer and market environment. Since that time, we have continued to focus on delivering cost reduction in our established home credit businesses including the roll out of our new sales and service structure in Poland and the completion of the UK head office restructuring process. We remain focused on driving top-line growth in our growth home credit businesses in Mexico and Romania-Bulgaria, and IPF Digital.

**Home credit**

Trading conditions in some of our markets remain highly competitive and against this backdrop we increased home credit customer numbers and credit issued by 1% and 3% respectively.

We delivered strong growth momentum in Southern Europe where credit issued increased by 23%. Intense competition from digital and payday operators in Poland-Lithuania and the Czech Republic impacted performance and credit issued contracted in both markets by 2% and 13% respectively. The reduction in Poland is not unexpected as the market comes to terms with the new regulations concerning consumer lending. We implemented our new product structure to comply with the revised regulations which became effective on 11 March 2016.

In the few weeks since implementation, the competitive environment has remained intense with most instalment loan operators pricing towards the top of the newly established cap and payday lenders continuing their aggressive pricing strategies. No significant operators have withdrawn from the market. We are evaluating customer response to our new offerings and will continue to evolve our competitive positioning as we move through the second quarter of the year. We will provide a further update with our 2016 half-year results when we will have around four months of experience of the impact of the new legislation on our business.

In order to support longer-term growth in Mexico, we commenced our geographic expansion programme to open around 10 new branches in 2016, and have opened three in the year to date. The growth of credit issued in Mexico of 4% during the quarter was slower than expected. The factors driving this are largely operational and we have a clear plan to address these and return to higher rates of growth as we move through the year.

Credit quality in our home credit business overall was good and annualised impairment as a percentage of revenue was 25.9% (December 2015: 25.6%). The collections performance in Mexico, however, was weaker than in our European businesses and as a result we saw some increase in impairment in this market which we expect to correct as the year progresses. Collections in Slovakia, where we are winding down our home credit business, are continuing to run slightly ahead of our expectations.

### **IPF Digital**

IPF Digital continued to make strong progress in the first quarter of the year with customer and proforma credit issued growth of 53% and 31% respectively. Growth in credit issued was driven by our new markets of Poland, Australia and Spain where year-on-year credit growth was 148%. Our established markets of Finland and the Baltics grew credit issued by 18%. Credit quality remains stable in our established markets and is developing in line with our plans in our new markets.

We are pleased with the development of this business in the first quarter and continue to expect to invest between £7M and £9M in IPF Digital in 2016.

### **Regulation**

In the Czech Republic, new legislation requiring non-banking financial institutions to obtain a licence to trade from the Czech National Bank is passing through parliamentary review and is expected to pass into law in July 2016. We are proactively involved in the parliamentary discussion and our team is working on key changes to our business and product structure to ensure compliance with the proposed legislation. We will continue to monitor developments closely as the legislation passes through Parliament.

There has been a small relaxation in the payment to income legislation in Hungary that was introduced in January 2015 and we expect this to facilitate a modest uplift in credit issued.

### **Outlook**

We are implementing our evolved strategy to meet the changing consumer and market environment. We expect to generate further strong growth in IPF Digital, see a continuation of the positive momentum in Southern Europe and a return to higher levels of growth in Mexico. We are actively monitoring developments in Poland following the implementation of the new cap and will continue to evolve our response to address developments in this competitive environment. We remain focused on delivering sustainable returns to our shareholders.



## **Investor and analyst conference call**

International Personal Finance will host a conference call for investors and analysts at 08:30hrs (BST) today. Please dial-in 5-10 minutes before the start of the call.

**Dial-in (UK):** +44(0)20 3427 1905      **Confirmation code:** 2809241  
**Replay:** An audio recording of the investor and analyst conference call will be available at [www.ipfin.co.uk /investors](http://www.ipfin.co.uk/investors) on 5 May 2016

A copy of this statement can be found on the Company's website – [www.ipfin.co.uk](http://www.ipfin.co.uk).

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