22 October 2014

International Personal Finance plc
Q3 2014 Interim Management Statement

- **Strong underlying profit growth of 21% in Q3**
  - Profit growth of £6.7M (21%) before £1.5M additional investment in new markets and the £3.7M adverse impact of weaker FX rates
  - Q3 reported profit before tax increased by 5% to £34.0M
  - YTD profit growth of £19.5M before £5.6M additional investment in new markets and the £7.6M adverse impact of weaker FX rates. YTD reported profit up 8% to £81.1M

- **Good trading performance**
  - Customer numbers increased by 5% driving increase in revenue of 12%
  - Impairment as a percentage of revenue maintained in target range at 28.1%
  - Costs well-managed resulting in 1.5 percentage point improvement in cost-income ratio to 38.0%
  - Challenging conditions in Czech-Slovakia

- **Q4 launch in Poland of our digital loan brand - hapi**

- **Development plans progressing well**
  - Expansion plans in Mexico City, Lithuania and Bulgaria continue to progress
  - Plans to offer first loans in Spain during Q1 2015 on track

- **£100M of bank facilities renewed**

- **£50M share buyback to reduce equity to receivables ratio to around 45% is now almost two-thirds complete**

Key statistics	**Q3 2014**	Q3 2013	YOY change at CER
Customers (000s)	**2,620**	2,501	4.8%
Credit issued (£M)	**245.5**	264.4	1.1%
Revenue (£M)	**194.4**	189.0	11.9%
Annualised impairment % revenue	**28.1%**	26.8%	(1.3ppts)
Annualised cost-income ratio	**38.0%**	39.5%	1.5ppts
PBT (£M)	**34.0**	32.5	

Chief Executive Officer, Gerard Ryan, commented:

"Overall, our business is performing well and we have delivered good PBT growth despite weakness in Czech-Slovakia, where trading conditions proved challenging. I am confident that we are on track to deliver a good full year performance in 2014 as a result of the strong performances of our other businesses. I am also delighted to announce that we will be launching our first digital loan product, hapi, in Q4 which offers an exciting growth opportunity alongside our successful home credit model."

Trading performance

Group performance

Our business delivered good underlying profit growth in Q3 of £6.7M (21%), before absorbing £1.5M of additional investment in new markets and £3.7M as a result of weaker FX rates. Group profit before tax for the quarter increased 5% to £34.0M. PBT in the year to date increased by 8% to £81.1M after absorbing £5.6M of additional new market investment costs and £7.6M from weaker FX rates.

	Q3 2014 £M	Q3 2013 £M	Change at CER %	**YTD 2014 £M**	YTD 2013 £M	Change at CER %
Customers (000s)	**2,620**	2,501	4.8	**2,620**	2,501	4.8
Credit issued	**245.5**	264.4	1.1	**758.5**	750.9	8.7
Average net receivables	**754.2**	719.6	13.7	**759.4**	691.7	17.9
Revenue	**194.4**	189.0	11.9	**588.5**	549.3	15.1
Impairment	**(50.4)**	(49.7)	(9.1)	**(180.6)**	(158.1)	(22.1)
Finance costs	**(11.0)**	(12.4)	2.7	**(34.4)**	(36.1)	(2.1)
Agents' commission	**(22.6)**	(21.1)	(15.9)	**(67.2)**	(63.0)	(14.9)
Other costs	**(76.4)**	(73.3)	(12.5)	**(225.2)**	(217.3)	(9.1)
Profit before taxation	**34.0**	32.5		**81.1**	74.8	

Overall we achieved customer growth of 5% and credit issued growth of 1%. Stronger growth in Poland, Hungary and Mexico was offset by a reduction in customer numbers and credit issued in our Czech-Slovakia business. Excluding the results of Czech-Slovakia, customer growth was 6% and credit issued growth was 7%. This relative moderation in the rate of growth compared to previous quarters was driven by some credit tightening, where markets were at the upper end of our target impairment to revenue range and stronger competition in some of our markets.

Revenue in the quarter increased 12%. Group credit quality and annualised impairment as a percentage of revenue is stable at 28.1% and is well within our target range of 25% to 30%.

We continued to manage our cost base carefully and we reduced our cost-income ratio by 1.5 percentage points year-on-year to 38.0%, despite our continuing investment in new markets.

The Q3 performance has resulted in a moderation of our expectations for Czech-Slovakia although we expect this to be offset by stronger results from other markets, particularly Poland, and we are confident that the Group is on track to deliver a good result in 2014.

Market review

The following table shows the PBT performance of each of our markets and the Group, highlighting strong underlying profit growth of 21% (£6.7M) before absorbing an additional £1.5M in new market investment costs and the £3.7M impact of weaker FX rates.

	Q3 2014 reported profit £M	Underlying profit movement £M	New market costs £M	Weaker FX rates £M	Q3 2013 reported profit £M
Poland-Lithuania	**21.4**	6.2	(0.2)	(1.3)	16.7
Czech-Slovakia	**4.1**	(3.8)	-	(1.0)	8.9
Hungary	**6.1**	0.9	-	(0.9)	6.1
Romania-Bulgaria	**2.4**	1.9	(0.7)	(0.2)	1.4
Mexico	**3.7**	1.0	-	(0.3)	3.0
Spain	**(0.6)**	-	(0.6)	-	-
UK costs	**(3.1)**	0.5	-	-	(3.6)
Total	**34.0**	6.7	(1.5)	(3.7)	32.5

Poland-Lithuania continued to deliver good growth and reported a 28% increase in PBT to £21.4M which reflects strong underlying profit growth of £6.2M before absorbing £1.3M as a result of weaker FX rates and £0.2M of additional new market investment in Lithuania, where we achieved full national coverage in the quarter. Despite a competitive marketplace, customer numbers increased 2% year-on-year to 845,000 and credit issued and revenue grew by 5% and 9% respectively. We benefited by £4.7M from the sale of non-performing receivables in the quarter and expect to continue to do this on a regular basis to augment our debt recovery activities. Annualised impairment as a percentage of revenue improved by two percentage points since the half year to 27.7%.

Q3 PBT in Czech-Slovakia fell to £4.1M driven by a £3.8M reduction in the underlying profit and a £1.0M FX impact. The key factors driving the underlying reduction were continued strong competition and flat demand for credit in our market segment in the Czech Republic alongside regulatory changes in Slovakia, the disruptive effects of which have proved longer-lived and more extensive than initially anticipated. These factors resulted in a 2% contraction in customer numbers to 368,000, a 19% reduction in credit issued and annualised impairment as a percentage of revenue increasing to 30.8%. We have implemented incentives for field management and agents aligned to improving collections performance and have invested further in our central collections unit to support our field force. In Slovakia, we have launched a pre-paid card to deliver loans to customers, which will reduce loan delivery times and provide a competitive advantage. In both markets we have also implemented selective credit tightening to bring the impairment levels back within our target range.

Our Hungarian business delivered good underlying profit growth of £0.9M before absorbing £0.9M as a result of weaker FX rates. Growth was achieved by increasing customer numbers by 11% to 312,000 which drove credit issued growth of 11% and an increase in revenue of 13%. Annualised impairment as a percentage of revenue increased to 21.2% which reflects our strategy to grow the business supported by controlled credit easing, and remains well below our target range of 25% to 30%.

Our business in Romania-Bulgaria reported good PBT growth reflecting underlying profit growth of £1.9M before absorbing a £0.7M investment in Bulgaria and £0.2M as a result of weaker FX rates. We have implemented selective credit tightening and rebalanced operational incentives in order to bring impairment into our target range in the second half of the year. Annualised impairment as a percentage of revenue improved slightly to 32.0% in Q3 and is expected to deliver a further reduction in Q4. Notwithstanding these actions, customer numbers grew by 11% (to 314,000) whilst credit issued grew by 3%.

Mexico continued to achieve strong growth. Reported PBT increased to £3.7M and underlying profit grew strongly by £1.0M before absorbing £0.3M as a result of weaker FX rates. We were pleased to increase customer numbers by 7% to 781,000 alongside a 9% increase in credit issued and revenue growth of 18%. At the end of Q3 2014, annualised profit per customer was £22 (Q3 2013: £18). As a result of careful credit management, annualised impairment as a percentage of revenue improved to 29.4%. We continued to expand our footprint in Mexico City with the opening of a new branch. We launched our life and medical assistance insurance cover, Provident Plus, which has been taken by 34,000 customers since July.

Strategy update

We will launch our first digital loan proposition in Poland under the hapi loans brand before the end of the year. Developed as a separate operation to our home credit business model, we will be offering fair, transparent and competitively priced online loans with forbearance features to customers looking for a digital-only credit service. The initial phase of hapi loans will focus on Poland before we look to roll out across more of our other markets. This is an exciting new proposition that we expect will deliver significant incremental growth alongside our Provident brand.

Plans are progressing for our launch into Spain and we are on track to deliver our first loans to customers early next year.

Regulation

As noted in our half year results announcement, Hungary will implement legislation limiting the proportion of an individual's income that may be spent servicing consumer credit (50% to 60% depending on income level). We will adapt our product offering and will be compliant with the new legislation by the required date.

The Polish Ministry of Finance's proposals relating to caps on mandatory non-interest charges for credit and default charges still await approval in parliament. We continue to believe the legislation will become effective in Q2 2015. We continue to await a date for the court appeal process to begin when we will challenge UOKiK's decision made in December 2013 in respect of APR calculations. UOKiK's review into the way loan fees are calculated by a number of non-bank consumer credit providers is ongoing and we are continuing to work with UOKiK to explore alternative charging methodologies.

We do not currently expect any of these matters to have a material impact on our business.

Funding and balance sheet

In September, we renewed £100M of bank facilities due to mature in early 2015. The new facilities mature in the second half of 2017, further strengthening our funding position. Unamortised arrangement fees of £0.7M will be recorded as an exceptional refinancing cost.

Our on-market share buyback programme of £50M to help reset the capital ratio to around 45% is progressing and at the end of September, we had bought back £31.6M of shares and the equity to receivables ratio was 48.7%.

Appendix

The following table shows the YTD performance of each of our markets.

	YTD 2014 reported profit £M	Underlying profit movement £M	New market costs £M	Weaker FX rates £M	YTD 2013 reported profit £M
Poland-Lithuania	**49.9**	14.3	(1.9)	(2.3)	39.8
Czech-Slovakia	**15.3**	(4.9)	-	(2.3)	22.5
Hungary	**14.6**	3.5	-	(1.5)	12.6
Romania-Bulgaria	**1.4**	2.9	(3.1)	(0.3)	1.9
Mexico	**10.3**	3.5	-	(1.2)	8.0
Spain	**(0.6)**	-	(0.6)	-	-
UK costs	**(9.8)**	0.2	-	-	(10.0)
Total	**81.1**	19.5	(5.6)	(7.6)	74.8

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Investor and analyst conference call:

International Personal Finance will host a conference call for analysts and investors at 08.30hrs (BST) today.

Dial in: +44 (0) 20 3003 2666 - Standard International Access
Password: International Personal Finance

Replay

A recording of this call will be available for 20 days from today's date. Dial in number: +44 (0) 20 8196 1998 (from within the UK). Click here for international replay numbers. Access code: 1894196

A copy of this statement can be found on the company's website at www.ipfin.co.uk

Notes

In accordance with the UK Listing Authority's Disclosure and Transparency Rules, the purpose of this Interim Management Statement is to provide an update on the performance and financial position of IPF since 1 July 2014 up to the date of publication. The quarterly figures presented in this statement are unaudited.

Percentage change figures for all performance measures, other than profit or loss before taxation, unless otherwise stated, are quoted after restating prior year figures at a constant exchange rate (CER) for 2014 in order to present the underlying performance variance.