30 April 2014
International Personal Finance plc

Interim Management Statement
Delivering further growth and returns for shareholders

Highlights

Strong profit growth achieved

- Q1 profit before tax increased by £3.6M to £12.7M
- Strong underlying profit growth of £7.5M offset partially by £2.3M investment in new markets and £1.6M impact from weaker FX rates

Strategy continues to deliver growth

- Customer numbers increased year-on-year by 7%
- Strong credit issued growth of 18% and revenue increased by 17%
- Good credit quality – annualised impairment as a percentage of revenue stable at 26.7%

Funding position strengthened at significantly lower cost

- €300M (£250M) of new 7-year 5.75% eurobond issue completed
- Buyback of €168.3M (£140.2M) of existing 11.5% eurobonds due 2015

Delivering further returns to shareholders

- Share buyback programme of approximately £50M to reduce capital ratio to around 45%

Key stats	**Q1 2014**	Q1 2013	YOY change at CER
Customers (000s)	**2,571**	2,412	6.6%
Credit issued (£M)	**258.3**	232.8	18.2%
Revenue (£M)	**194.9**	177.6	16.8%
Annualised impairment % revenue	**26.7%**	27.6%	0.9ppts
Annualised cost-income ratio	**39.3%**	39.3%	-
PBT (£M)	**12.7**	9.1	

Chief Executive Officer, Gerard Ryan, commented:

"I am pleased to report a positive start to the year with good levels of growth and profit achieved. In early April we successfully refinanced our eurobond at a materially lower cost and today's announcement of a share buyback of approximately £50M to reduce the capital ratio to around 45% demonstrates our commitment to further increasing shareholder value. We are well positioned to deliver further growth as the year progresses."

Operating review

Building on the momentum achieved in 2013, our continued focus on generating sustainable growth delivered a strong first quarter trading performance. Reported profit before tax increased by £3.6M to £12.7M with all markets contributing to strong underlying profit growth of £7.5M, which was offset partially by the £2.3M investment in our two new markets, Lithuania and Bulgaria, and £1.6M impact of weaker FX rates.

Group review

	Q1 2014	Q1 2013	Change	Change	Change at CER
	£M	£M	£M	%	%
Customers (000s)	**2,571**	2,412	159	6.6	6.6
Credit issued	**258.3**	232.8	25.5	11.0	18.2
Average net receivables	**760.3**	664.2	96.1	14.5	21.6
Revenue	**194.9**	177.6	17.3	9.7	16.8
Impairment	**(74.7)**	(69.3)	(5.4)	(7.8)	(13.9)
Finance costs	**(12.1)**	(11.4)	(0.7)	(6.1)	(14.2)
Agents' commission	**(22.3)**	(19.8)	(2.5)	(12.6)	(19.9)
Other costs	**(73.1)**	(68.0)	(5.1)	(7.5)	(13.2)
Profit before taxation	**12.7**	9.1	3.6	39.6	

The key drivers of the Q1 result were strong growth in credit issued of 18% and good credit quality. Credit issued growth was delivered through a 7% increase in customer numbers, continuing our strategy of selective credit easing and granting higher value loans to existing quality customers. We continue to see strong demand for our longer-term loan products in Poland, the Czech Republic and Slovakia, and in February 2014 we launched a 100-week loan in Hungary and rolled out loans with terms of up to 78 weeks in Romania.

At the same time as delivering growth we maintained good collections performance and credit quality remains sound. Consequently, annualised impairment as a percentage of revenue was stable at 26.7% and well within our target range of 25% to 30%. Our annualised cost-income ratio improved by 0.2 percentage points to 39.3% since the 2013 year end, after investing £2.3M in Lithuania and Bulgaria. The annualised cost-income ratio excluding new markets was 38.4%, a 0.5 percentage point improvement since the year end.

Funding

We made significant progress against our debt funding strategy to extend the maturity profile and further diversify our sources of funding at a lower cost. At the beginning of April, we completed the issue of a new €300M (£250M) 7-year eurobond with a coupon of 5.75%, which is half of the rate of the 2010 eurobond issue. Combined with the £100M retail bonds issued in 2013, we now have £350M of long-term debt capital maturing in 2020 / 2021, to fund the further development of our business.

As part of the refinancing process we bought back €168.3M (£140.2M) of our existing 11.5% eurobonds due to mature in 2015, at a price of 113.5. The eurobond buyback is expected to result in an exceptional cost of around £20M.

Following the refinancing of the core eurobond, we reviewed the Group's capital ratio against the backdrop of our strong trading and funding position – particularly the materially lower debt cost and stable macroeconomic outlook. This review concluded that it is appropriate to reduce the equity to receivables ratio to around 45%. Consequently, over time, we will undertake an on-market share buyback programme of approximately £50M which will reset the capital ratio to around 45%.

Regulation

Regulatory debate relating to rate caps continues in a number of our European markets.

The Ministry of Finance in Poland published amended draft proposals relating to caps on mandatory non-interest charges for credit and default charges, as defined by the EU Consumer Credit Directive. The current draft proposes a base cap of 25% (independent of term) on mandatory non-interest charges in conjunction with an additional annual cap of 30% based on the duration of the loan term. This will be in addition to the existing interest rate cap already in place in Poland which we understand will remain at 4x the Lombard rate, and currently equates to 16%.

In the Czech Republic, an opposition party passed into committee a proposal for a rate cap based on a multiplier of the Lombard rate. A 90-day parliamentary committee consultation is underway and we expect further information in May. In Slovakia, a law has been passed giving powers to the Ministry of Finance to implement a rate cap and prohibit loans being delivered in cash. Details of the rate cap are subject to secondary legislation which has not yet been drafted. The ban on cash loans being delivered to customers will begin on 1 June 2014 after which we will utilise postal orders to deliver our loans or remit funds directly into the customer's bank account.

An APR cap of c.54% has been passed into law in Bulgaria and will be effective for loans issued on or after 23 July 2014. We will amend our product pricing and structure to meet the requirements of this legislation.

We await a date for the court appeal process to begin when we will challenge the decision made in December 2013 by UOKiK, the Polish Office of Consumer Protection and Competition, that the way we calculate APR amounts to a collective infringement of consumer interests. As previously noted, UOKiK is also reviewing the practices of a number of non-bank consumer credit providers in respect of the calculation of fees for loan products. We are in discussion with UOKiK to explore alternative charging methodologies.

Our experienced teams in each market maintain constructive relationships and dialogue with regulators and other relevant parties. We also have a good track record of evolving our products and services to meet new regulatory requirements. We do not expect any of these matters to have a material impact on our business performance or growth prospects.

Market review

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

	Q1 2014 reported profit £M	Underlying profit movement £M	New market costs £M	Weaker FX rates £M	Q1 2013 reported profit £M
Poland-Lithuania	**7.8**	4.2	(1.1)	(0.4)	5.1
Czech-Slovakia	**5.0**	0.7	-	(0.5)	4.8
Hungary	**2.5**	1.7	-	(0.2)	1.0
Romania-Bulgaria	**(1.1)**	0.6	(1.2)	-	(0.5)
Mexico	**2.0**	0.6	-	(0.5)	1.9
UK costs	**(3.5)**	(0.3)	-	-	(3.2)
Total	**12.7**	7.5	(2.3)	(1.6)	9.1

Despite the increasingly competitive landscape, Poland and Lithuania delivered a robust trading performance and strong underlying profit growth of £4.2M, which was driven primarily by a 10% increase in credit issued and 15% growth in revenue compared to Q1 2013. We have 843,000 customers and credit quality remains good with annualised impairment as a percentage of revenue stable at 28.7%. We maintained tight control of costs and, including our investment in Lithuania, the cost-income ratio increased by only 0.3 percentage points to 33.0%. The geographic expansion of our business in Lithuania, where we have around 2,200 customers, is progressing and costs are in line with our new market plan.

Our strategy of selective credit easing and offering larger, longer-term loans to quality customers in the Czech Republic and Slovakia built on the momentum achieved in 2013. As a result, we grew credit issued year-on-year by 11% and delivered a £0.7M increase in underlying profit to £5.0M. Competition in the Czech Republic, however, remains intense and customer numbers reduced slightly in the past 12 months to 378,000. Our management team has introduced a number of promotions targeting new and existing customers and will implement credit strategies to increase sales through high-quality agents to reinvigorate customer growth.

Hungary delivered excellent growth alongside a strong collections performance. Q1 profit more than doubled to £2.5M which reflects underlying profit growth of £1.7M. Selective credit easing and an incentive framework aligned to growth delivered a year-on-year increase in customer numbers of 11% to 300,000 and 30% growth in credit issued. Credit quality continues to be excellent and with annualised impairment as a percentage of revenue stable at 18.3%, we believe that further sales opportunities can be captured in Hungary through continued relaxation of credit rules and our newly launched 100-week longer-term loan.

Romania and Bulgaria also achieved strong growth in the first quarter. The investment made in geographic expansion in 2013 and selective credit easing drove customer growth of 18% to 305,000, an excellent 32% increase in credit issued and strong revenue growth of 22% against Q1 2013. As a result of this strong growth, annualised impairment as a percentage of revenue increased to 30.0%. Underlying profit growth in the quarter was £0.6M and £1.2M was invested in developing our Bulgarian business. In Bulgaria, we opened three new branches and have around 3,600 customers.

In Mexico we are focussed on achieving a profit per customer of £33 by 2015 and our first quarter performance delivered further good growth in support of this key aim. Geographical expansion in 2013 together with continued easing of credit rules delivered, year-on-year, an 11% increase in customer numbers to 745,000, strong credit issued growth of 31% and a 28% increase in revenue. Collections performance and credit quality has also been maintained and annualised impairment as a percentage of revenue was 29.8%. As a result, underlying profit grew by £0.6M to £2.0M.

Investor and analyst conference call

The International Personal Finance team will host a conference call for investors and analysts at 08.30hrs (BST) today. Dial-in details for this call can be obtained from Gordon Simpson at RLM Finsbury: +44 (0) 20 7251 3801 or at IPF@RLMFinsbury.com.

A recording of this call will be available until 20 May 2014.
Dial in number: +44 (0) 20 8196 1998 (from within the UK). Click here for international replay numbers. Access code: 2484930

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

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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 January 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.