International Personal Finance
Q3 2016 trading update
20 October 2016

Highlights

- Group Q3 growth in credit issued of 9%
  - Home credit growth of 5%
  - IPF Digital growth of 44%

- Group Q3 customer numbers increased by 1%
  - Home credit contracted by 1%
  - IPF Digital growth of 45%

- Improved home credit performance in Mexico

- Impact of Polish regulatory change continues to be in line with expectations

- Strong organic growth in IPF Digital; commenced operations in Mexico

- Good credit quality - group impairment as a percentage of revenue in target range at 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 Q3 overview

We delivered credit issued growth of 9% driven by a return to growth in Mexico, a continued good performance in Southern Europe and a strong performance in IPF Digital. Poland-Lithuania returned to modest growth after contracting in H1 while market conditions in the Czech Republic remain particularly challenging. Customer numbers increased year-on-year by 1% and our collections performance is good overall with impairment as a percentage of revenue at 26.1% being at the lower end of our target range of 25% to 30%.

Home credit

Our home credit businesses delivered a 5% increase in credit issued but challenging trading conditions, particularly in some of our European markets, impacted rates of customer growth which contracted 1% year-on-year to 2,468,000.

As stated in our half-year announcement, we implemented a number of operational actions to improve the performance of our business in Mexico. These, together with growth flowing through from branch and channel expansion implemented in the first half of 2016, resulted in a year-on-year increase in credit issued of 10% and growth in customer numbers of 4% to 874,000. Annualised impairment is at a similar level to June 2016 and is likely to remain at an elevated level for the remainder of the year. We expect to deliver continued satisfactory growth in Q4 as we balance growth with maintaining credit quality.

Our Poland-Lithuania business remains focused on mitigating the financial impact of the total cost of credit legislation which was introduced in Poland in March 2016. Competition remains intense with ‘first loan for free’ still being offered by most short-term lenders, and an ongoing trend towards longer term installment lending. Credit issued growth was 1%, an improvement on the contraction of 4% reported in H1 2016, and customer numbers contracted year-on-year by 7%. We continued our strategy of selectively offering longer-term and larger loans to qualifying customers. Customer response to the new regulations was broadly in line with our expectations and we continue to believe that we can mitigate up to half of the estimated £30M p.a. gross financial impact resulting from this legislative change.

Southern Europe continued to perform well and delivered a 12% increase in credit issued and 4% growth in customer numbers. In contrast, intense competition in the Czech Republic continued to impact growth resulting in an 11% contraction in credit issued and a 17% reduction in customer numbers.

Notwithstanding the elevated levels of impairment in Mexico, credit quality in our home credit business overall is good and annualised impairment as a percentage of revenue remains at the bottom end of our target range at 25.7%. We continue to focus on improving efficiencies within our European home credit businesses to partially offset yield compression in these markets. We are making good progress in Slovakia where we are winding down our home credit business and collections are significantly ahead of our original expectations.

IPF Digital
IPF Digital delivered strong growth in the third quarter of the year and increased credit issued by 44% and grew active customer numbers by 45% to 171,000. Our new digital markets of Poland, Australia and Spain are performing very well and reported an acceleration in credit issued growth. We also commenced operations in Mexico - this country has great potential but we will manage our growth conservatively as we build knowledge of the local digital market. The established markets of Finland and the Baltics delivered credit issued growth of 7%. Credit quality is good and annualised impairment as a percentage of revenue is stable at 31.7%. In line with previous guidance, we expect the total investment in IPF Digital for the full year to be around £8M to £10M.

Regulation
There have been no material changes to the regulatory framework since our half-year results announcement. In Romania, new creditworthiness assessments for non-banking financial institutions are expected to be effective by the end of 2016 while new licensing regulations are expected to become effective in the Czech Republic in November 2016 with a three month transition period allowed for compliance.

Outlook
We are pleased to report an increase in credit issued growth in Q3 and expect to see continued growth and stable credit quality in Q4.

Investor and analyst conference call

International Personal Finance will host a conference call for investors and analysts at 09:00 (BST) today. Please dial-in 5-10 minutes before the start of the call.

Dial-in (UK):	+44 (0)20 3043 2026	**Dial-in (USA):**	+1 719 457 2086
Confirmation code:	3263100		
Replay:	An audio recording of the investor and analyst conference call will be available at www.ipfin.co.uk/investors on 21 October 2016		

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

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