International Personal Finance
Q1 2017 trading update
3 May 2017

Highlights

- Group Q1 growth in credit issued of 5%
  - Mexico home credit grew by 20%
  - Europe home credit decreased by 7%
  - IPF Digital grew by 61%

- Group Q1 customer numbers decreased by 2%*
  - Mexico home credit grew by 4%
  - Europe home credit contracted by 9%
  - IPF Digital grew by 47%

- Good credit quality - group impairment as a percentage of revenue in target range at 27.0% with improved performance in Mexico

- £133.5M of headroom on debt facilities at 31 March 2017

- No development on proposal to further reduce existing cap on non-interest charges on consumer loans in Poland, but continue to operate in line with previous guidance under existing total cost of credit cap introduced in March 2016

* Customer numbers adjusted following change to treatment of very slow paying customers in our home credit businesses in December 2016.

Group Q1 overview

We delivered credit issued growth of 5% driven by IPF Digital and a return to higher levels of growth in our Mexico home credit business, offset partially by lower growth in Southern Europe which was impacted by new creditworthiness assessment regulations in Romania. Customer numbers contracted year-on-year by 2% primarily as a result of competitive pressures in the Czech Republic and Poland. Impairment as a percentage of revenue was 27.0% and remains within our target range of 25% to 30%.

Home credit

In Mexico, the operational actions taken in 2016 to improve performance resulted in the growth momentum achieved during the second half of last year being maintained and year-on-year we delivered a 20% increase in credit issued and 4% growth in customer numbers to 844,000. This growth was balanced with an improved collections performance and, as a result, impairment as a percentage of revenue reduced by 2 ppts to 34.5% since the 2016 year end. We expect to see further improvements in this measure over the course of 2017. We continued to invest in geographical expansion, opening two new branches in Q1 and we plan to launch two more during the second quarter of the year.

We are continuing to focus on optimising returns from our European home credit operations. In Poland, the expected impact of total cost of credit legislation introduced in March 2016 together with the challenging competitive landscape resulted in a contraction in credit issued and customer numbers of 2% and 11% respectively. Looking ahead, we expect to deliver growth during the rest of 2017 because the comparator period in 2016 was impacted negatively by the implementation of the total cost of credit legislation. Highly competitive trading conditions continued to impact the size of our business in the Czech Republic and resulted in a 23% contraction in credit issued and a 17% reduction in customer numbers year-on-year. In order to simplify our management structure, continue our cost efficiency drive and maximise the opportunities for sharing best practice, we have consolidated the management of our Polish and Czech businesses under the leadership of David Parkinson, the country manager for Poland.

As indicated at the time of our 2016 full-year results, new creditworthiness assessment regulations introduced in Romania at the beginning of 2017 impacted growth levels in Southern Europe. Credit issued reduced by 5% reflecting growth in Hungary and Bulgaria but offset by a contraction in Romania. Customer numbers in the region reduced by 2%. We have implemented new processes and training to ensure compliance with the new regulations in Romania and are working to improve the performance in this market.

Credit quality and collections in the home credit business overall were good and annualised impairment as a percentage of revenue at 26.4% remains consistent with our 2016 full year outcome and is well within our target range of 25% to 30%. In Slovakia, where we are winding down our home credit business, we concluded our field collections activities in March and expect to move into the liquidation phase of this process by the end of the first half of 2017.

IPF Digital

IPF Digital continued to deliver strong growth in the first quarter of the year increasing credit issued by 61% and active customer numbers by 47% to 212,000. This performance was driven primarily by our new digital markets of Poland, Australia, Spain and Mexico where credit issued growth was 254%. Our established markets of Finland and the Baltics delivered credit issued growth of 19%. Annualised impairment as a percentage of revenue was 33.2% which compares to 30.1% at the December 2016 year end and reflects the increased weighting of new markets in the digital business. We continue to expect to invest around £8M to £10M in developing IPF Digital in 2017 and deliver the division's maiden profit in 2018.

Funding

At 31 March 2017 we had total debt facilities of £791.8M and borrowings of £658.3M, with headroom on undrawn bank facilities of £133.5M after making payments to the Polish tax authority of £38M in January 2017 in respect of the 2008 and 2009 disputed tax audit decisions. As stated previously, we strongly disagree with the interpretation of the Polish tax authority and will defend our position robustly in court.

Regulation

There have been no material changes to the regulatory framework since our 2016 full-year results announcement. There has been no update on the Polish Ministry of Justice's proposal to further reduce the existing cap on non-interest charges on consumer loans in Poland and we are continuing to engage with various Government ministries and interested parties in this market to encourage a more positive solution that is good for consumers and business.

Outlook
We will continue to optimise the performance of our European home credit businesses to fund growth in our IPF Digital and Mexico home credit operations. In Mexico, we remain focused on balancing good growth with improving collections and expect to deliver further strong growth in IPF Digital.

Investor and analyst conference call

International Personal Finance will host a conference call for investors and analysts at 08.30 (BST) today. Please dial-in 5-10 minutes before the start of the call.

Dial-in (UK):	+44 (0)330 336 9411	**Dial-in (USA):**	+1 719-325-2385
Confirmation code:	5525928		
Replay:	An audio recording of the investor and analyst conference call will be available at www.ipfin.co.uk		

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

Investor relations and media contacts:

International Personal Finance	*Rachel Moran - Investor Relations* +44 7760 167637 / +44 113 285 6798
	Gergely Mikola - Media +36 20 339 02 25
FTI Consulting	*Neil Doyle* +44 20 3727 1141 / +44 7771 978 220
	Jessica Colman +44 20 3727 1102 / +44 7515 597 868

Legal Entity Identifier: 213800II1O44IRKUZB59