International Personal Finance
Q3 2018 trading update
18 October 2018

International Personal Finance plc specialises in providing unsecured consumer credit to more than two million customers across 11 markets. We operate the world's largest home credit business and a leading fintech business, IPF Digital.

Highlights

- Q3 credit issued growth of 6%
  - IPF Digital growth of 39% - continued strong top-line growth and good operational performance
  - Mexico home credit growth of 13% - expansion strategy delivered further growth
  - European home credit contracted by 7% - operational performance in-line with full-year expectations
- Well managed credit quality and collections - Group annualised impairment as a percentage of revenue of 25.2% (HY 2018: 25.5%)
- Strong funding position - £226m of headroom on debt facilities at 30 September 2018
- Draft law proposing amendments to existing tax legislation being debated in Poland

Group Q3 overview

We continued to perform well against our strategy and delivered a good Group performance in Q3. Credit issued increased by 6% driven by our growth-focused businesses, IPF Digital and Mexico home credit, and offset partially by a contraction in our returns-focused European home credit markets. Credit quality and collections continued to be well managed and annualised impairment as a percentage of revenue improved 0.3ppts to 25.2% since the half-year driven by an improved performance in IPF Digital's new markets.

European home credit

We continue to focus on improving the sustainability of our home credit businesses in Europe by creating more modern, efficient and better credit quality operations. Year-on-year, we saw a contraction in credit issued of 7% which was in-line with our expectations. The quality of the loan portfolio continues to be excellent and together with a good collections performance by agents and the benefit of continued higher post-field collection activities, annualised impairment as a percentage of revenue at 17.8% was in line with the half-year.

Mexico home credit
Our home credit operation in Mexico continued to perform well with growth flowing through from our branch expansion and micro-business loans strategies. Year-on-year, we delivered a 13% increase in credit issued and a 7% increase in customer numbers, adding 32,000 customers since the half-year. While delivering growth, we also maintained credit quality with annualised impairment as a percentage of revenue at 35.9% in line with the 2018 half-year. Looking ahead, the stronger than expected growth in new customers with lower average issue values means we expect Mexico's credit issued growth for the full-year to be around the lower end of the 12% to 15% range we previously indicated.

IPF Digital
IPF Digital achieved further strong growth and a good operational performance during the third quarter of the year. Strong customer demand for credit and good take-up of our credit line facilities delivered a 39% increase in credit issued year-on-year. The primary driver of this strong performance was our new markets which grew credit issued by 76%, and continued good growth in the established markets of 14%. All the new markets delivered improving credit loss metrics while growing strongly. For IPF Digital as a whole, we delivered a 4.4ppt improvement in annualised impairment as a percentage of revenue to 35.4% since the 2018 half-year, driven principally by the new markets. We expect IPF Digital to continue to deliver good credit issued growth for the full-year as we move towards profitability in 2019.

Funding
We maintained our strong funding position and at 30 September 2018 we had total debt facilities of £899m and borrowings of £673m, with headroom on undrawn bank facilities of £226m.

Regulation
As previously reported, we expected the National Bank of Romania (NBR) to introduce debt-to-income limits prior to the end of the year. Late yesterday afternoon, the new limits were formally announced and we are currently studying the detail. We expect some reduction in sales volumes as a result and will update the market at our next scheduled announcement. The new rules will become effective on 1 January 2019. Also, as previously noted, a parliamentary debate to implement an APR cap at 18% for existing and new consumer lending in Romania continues, and we are engaged with key stakeholders to enable them to better understand the impacts of the proposal. If enacted as currently proposed, it would have a material adverse effect on our Romanian business. As a result of more detailed discussions on the matter than expected, the timing of the legislative process was delayed from Q3 2018, and is now likely to take place in the coming months.

There has been no update from the Polish Ministry of Justice on its proposal, published in December 2016, to reduce the existing non-interest price cap in Poland.

A draft law proposing amendments to existing tax legislation in Poland has been submitted to Parliament and is currently being debated by the Parliamentary Financial Committee. Based on the usual legislative process, if the bill is approved, it will become effective on 1 January 2019. Our current view is that, if the bill is enacted without further amendment, certain cross-border transactions that our Polish subsidiary has entered into are likely to become economically inefficient. This would most likely give rise to an effective tax rate for the Group of around 42% for 2019, compared to the expected rate of 34% for 2018. We, alongside many other financial and non-financial businesses, are making the case to key stakeholders for modification of the current draft proposals.

Board changes
We are pleased to announce the appointment to our Board of Deborah Davis and Bronwyn Syiek as independent non-executive directors. Both Deborah and Bronwyn, whose appointments are effective from today, bring a wealth of expertise and experience gained in fintech, consumer and technology businesses, which will help drive the Group's continuing evolution as a responsible lender in the digital age.

Outlook
We have delivered a good performance both in Q3 and the year to date, and continue to make strong progress against our strategic objectives. We are focused on improving the sustainability of our European home credit businesses to continue providing a good service to our customers and deliver strong returns to reward shareholders and fund growth opportunities in our Mexico home credit and IPF Digital operations.

All impairment as a percentage of revenue figures within this statement reflect a conversion from IAS39 to IFRS 9.

Investor and analyst conference call
International Personal Finance will host a conference call for investors and analysts at 08.15hrs (BST) today, Thursday 18 October. Please dial-in 5-10 minutes before the start of the call.

Dial-in (UK) +44 (0)330 336 9411 **Confirmation code:** 3572752
Replay: An audio recording of the conference call will be available in the investors section of our website at www.ipfin.co.uk

A copy of this statement can be found on our website – www.ipfin.co.uk

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