International Personal Finance
Q1 2019 trading update
2 May 2019

*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

- Q1 credit issued growth of 9% year-on-year
  - European home credit growth of 2%
  - Mexico home credit growth of 3%
  - IPF Digital growth of 33%

- Good credit quality and collections - Group annualised impairment as a percentage of revenue at 26.6% (Q1 2018: 26.4%)

- Strong funding position - £183 million of headroom on debt facilities at 31 March 2019

- Credit rating position improved – Fitch BB, outlook revised to stable from negative; new rating from Moody's Ba3 stable

Group Q1 overview

IPF made a solid start to 2019 and traded in-line with our expectations at Group level with a strong operational performance in European home credit and a more challenging performance in Mexico. Year-on-year, we delivered credit issued growth of 9% with continued strong top-line growth delivered by IPF Digital alongside modest growth in European and Mexico home credit. At Group level, credit quality and collections were stable and annualised impairment as a percentage of revenue at 26.6% was in-line with Q1 2018 (2018 year-end: 26.2%).

European home credit

During Q1 we made good progress against our strategy of improving the sustainability of our European home credit businesses by creating more modern, efficient and better credit quality operations. While customer numbers contracted, we delivered credit issued growth of 2% year-on-year, which was ahead of our expectations and reflected good performances in all our markets. Credit quality remains very strong, reflecting a good agent collection performance together with further improved post-field collections. Taken together, these factors resulted in an improvement in annualised impairment as a percentage of revenue of 16.3% compared to 19.0% in Q1 2018 (2018 year-end: 17.9%).

Mexico home credit

As noted at the time of our 2018 full-year results, we took a more cautious stance on credit settings reflecting the slight softening of the macroeconomic outlook in Mexico for 2019. This stance, combined with weaker than expected collections during Q1 resulted in credit issued growth being restricted to 3%. We have taken a series of actions to improve collections, including some branch consolidation in Mexico City. We now expect credit issued growth for the year as a whole to be weaker than originally anticipated. Annualised impairment as a percentage of revenue for Q1 was 38.4% (36.1% for Q1 2018, 2018 year-end 36.7%), reflecting the impact of the first quarter collections performance and the actions taken to improve future performance. Mexico is a key driver of future growth and we remain confident in the longer-term development of the business.

IPF Digital

IPF Digital delivered another strong top-line performance with credit issued growth of 33% based on good customer demand for digital credit within our target customer segment. There was continued strong growth in the new markets where we increased credit issued by 77% and, as expected, growth moderated in our established markets to 2%. Annualised impairment as a percentage of revenue was 40.4% compared to 41.1% in Q1 2018 (2018 year-end: 37.8%) which reflects stable impairment in the established markets and a small increase in the new markets where we are serving a larger proportion of new customers who have a higher risk profile. We remain on track to deliver a maiden profit in 2019 for the division as a whole.

Funding and credit ratings

We maintained our strong funding position and at 31 March 2019 had total debt facilities of £853 million and borrowings of £670 million, with headroom on undrawn bank facilities of £183 million. The credit rating position improved in April 2019 following the affirmation of a BB rating by Fitch alongside the revision of the outlook from negative to stable together with a new rating from Moody's of Ba3, stable outlook.

Regulation

At the time of our 2018 full year results announcement, legislation to implement an APR cap of 50% for loans under €3,000 and 18% for loans over €3,000 had been passed by the Romanian Parliament but was subject to a constitutional court challenge. The outcome of the challenge resulted in the legislation being declared unconstitutional and therefore not in effect. Consequently, there is currently no APR cap in Romania. We will continue to monitor any future developments.

There has been no material update from the Polish Ministry of Justice on its modified set of proposals, published in February 2019, to reduce the existing cap on non-interest costs that may be charged by lenders in connection with consumer loan agreements – details of which were provided in our 2018 full-year results statement. A public consultation was undertaken but the responses have not yet been published in full and, at this stage, there is no formal timeline to progress or finalise the draft proposal. We will update the market with our assessment of the likely financial impact on the Group when and if the proposal is finalised and approved.

Taxation

As highlighted in our 2018 Full-year Financial Report, in late 2017 the European Commission opened a state aid investigation into the Group Financing Exemption contained in the UK controlled foreign company rules, which were introduced in 2013. On 2 April 2019 the European Union announced its finding that the Group Financing Exemption is partially incompatible with EU State Aid rules. In common with other UK-based international companies, whose intra-group finance arrangements are in line with current controlled foreign company rules, the Group is likely to be affected by this decision. The total tax benefit obtained by the Group in all years since 2013 is estimated at up to £13.5 million. It is expected that there are valid grounds, which the Group is currently exploring, for part of the benefit to be retained. HMRC will be contacting taxpayers, including IPF, in the coming weeks to set out how they intend to calculate and recover the alleged aid. HMRC has stated that it does not consider that the timing and form of the UK's exit from the EU will have any practical impact on this matter.

There is no substantive update in respect of the on-going Polish tax audit matter.

Outlook

We continue to improve the service and choices provided to the customers of our European home credit businesses and deliver robust returns to reward shareholders and fund growth opportunities in our Mexico home credit and IPF Digital operations. The Group made a solid start to 2019 and our outlook for the Group in 2019 remains unchanged.

Investor and analyst conference call

International Personal Finance will host a conference call for investors and analysts at 08.30hrs (BST) today, Thursday 2 May. Please dial-in 10 minutes before the start of the call.

Dial-in (UK)	+44 (0)330 336 9411 **Confirmation code:** 1875942
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

Investor relations and media contacts:

International Personal Finance	*Rachel Moran* +44 7760 167637 / +44 113 285 6798
FTI Consulting	*Neil Doyle* +44 20 3727 1141 / +44 7771 978 220
	Laura Ewart +44 (0)20 3727 1160 / +44 (0)7711 387085

Legal Entity Identifier: 213800II1O44IRKUZB59