2016 Full-year results

International Personal Finance plc

1 March 2017

International Personal Finance plc

Gerard Ryan

Chief Executive Officer

2016 key messages

- Group profit before tax reduced in line with expectations to £92.6M
  - Credit issued increased by 8%
  - Group impairment % revenue 26.8% - at lower end of target range

- Home credit
  - Credit issued increased by 4%
  - Mexico difficult H1, significantly improved second half performance

- IPF Digital
  - Credit issued increased by 41%
  - Significant growth opportunity

- Cost optimisation programme in European home credit delivered significant savings

- Proposal to reduce existing cap on non-interest charges on consumer loans in Poland

- Proposed final dividend held at 7.8 pence per share

Regulation update

Regulation further intensified and is changing how we do business

Poland: cap on non-interest charges for consumer loans

- Adapted product offering to comply with cap introduced March 2016 - financial impact within expected range
- Ministry of Justice proposed flat level cap of 10% of loan value plus annualised cap of 10%; combined total not to exceed 75% of loan value
- Engaging with Polish Government ministries and interested parties – aiming to achieve a more positive solution for consumers and businesses
- Timeline for any changes extended as further consultations and information gathering take place

Lithuania: clarification of debt-to-income rules

- Significant impact on credit issued in home credit business
- Moved to fully digital business operated by IPF Digital

Romania: tighter regulations for NBFIs

- More stringent and restrictive creditworthiness assessments
- Separation of duties between sales and credit vetting
- Business volumes will be significantly impacted in 2017

Other matters

Polish tax chamber decision appeal: transfer pricing and home collection fee

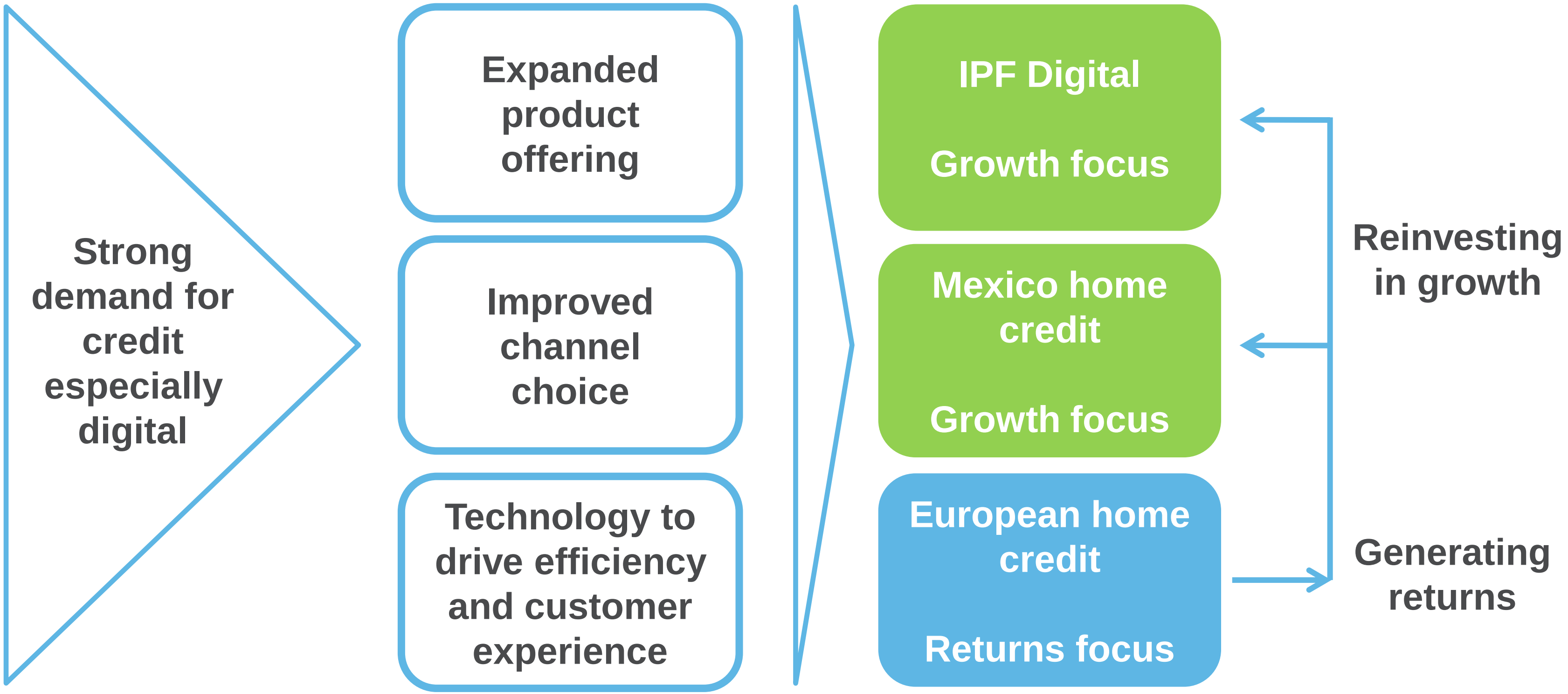
- Adverse decisions received for 2008 and 2009 financial years
- Existing tax methodology previously audited and accepted by tax authorities
- Strongly disagree with the decision and will defend robustly in court
- £38M tax and associated interest paid in order to appeal the decisions for both years
- Awaiting decision on 2010 tax audit – further £19M payable if decision received with same reasoning as 2008 and 2009
- All subsequent years remain open to future audit

International Personal Finance plc

Business update

Our multi-channel strategy

Generating returns for shareholders and enabling investment in growth



Delivering our strategy

European home credit

Portfolio Optimisation

- Improving credit quality; cease lending to highest risk segments
- Increased collections effectiveness; moving very slow paying customers from field into debt recovery operations
- Debt sale 'flow' now established for all countries

Cost Efficiency

- Cost optimisation programme delivered ~£11M savings, annualised ~£14M
- Reduced 430 roles across the Group
- Focus on more efficient back office

Enabling Technology

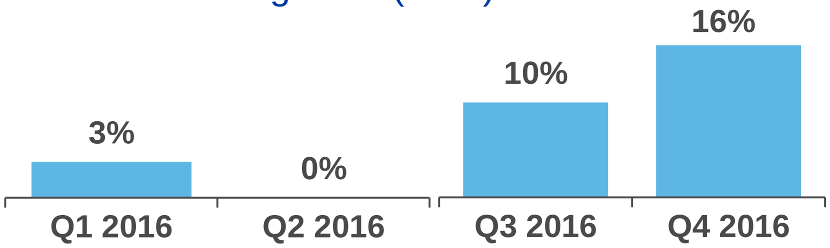
- 'MyProvi' agent mobile technology in test in three countries
- Phased rollout begins 2017, meaningful benefits expected from 2018
- Building multiple access points for prospective customers: broker, affiliate, web, mobile

Delivering our strategy

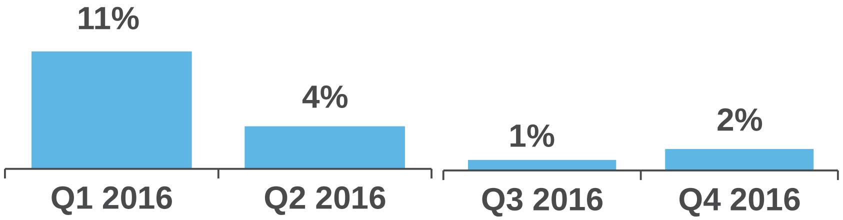
Mexico home credit

- H1 difficult for both sales and collections
- H2 actions driving improved performance
- Rebuilt sales momentum – progressive quarterly improvements in growth
- Reinvigorated collections to drive Q3/Q4 2016
- Impairment above target but reducing trend

Credit issued growth (YOY)



Impairment % revenue change (YOY)



Delivering our strategy

Mexico home credit

Looking ahead

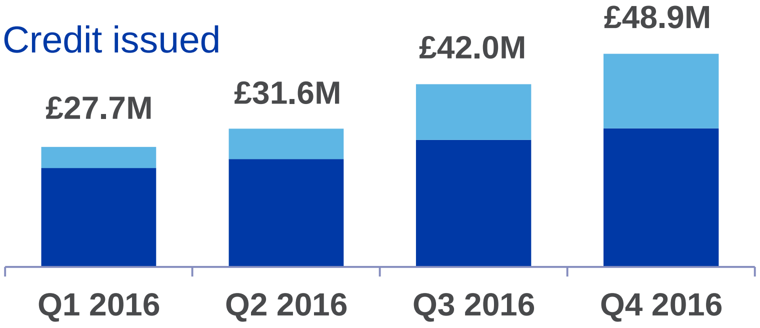
- Market flat but maintain double-digit growth momentum
- Continue collections focus to drive down impairment
- Invest in managed geographic expansion
- Expand micro-business loans offering
- Significant long-term potential in Mexico but monitoring short-term macroeconomic environment

Delivering our strategy

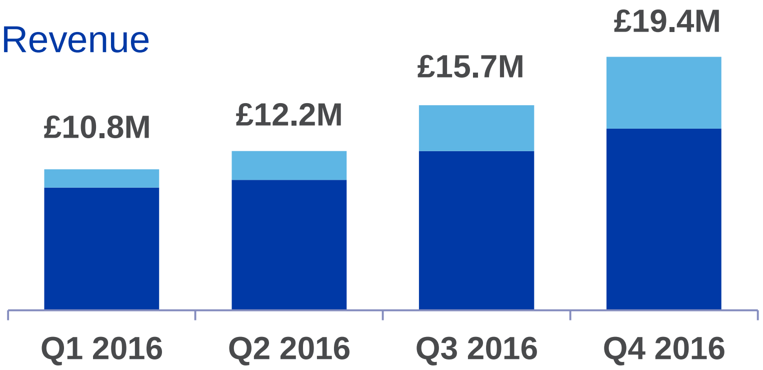
IPF Digital

- Established markets' profitability proven, working on optimisation
- Focus on bringing new, large markets to scale
- Building functional capability to execute expansion plan
- Maintaining credit quality

Credit issued



Revenue



Established markets **New markets**

Delivering our strategy

IPF Digital

Looking ahead

- Significant growth opportunities
  - Poland – building rapidly
  - Spain – volumes and quality better than expected
  - Mexico – taking a measured approach

- Further growth in established businesses

- Transferring digital knowledge to home credit business

- Deliver maiden profit in 2018

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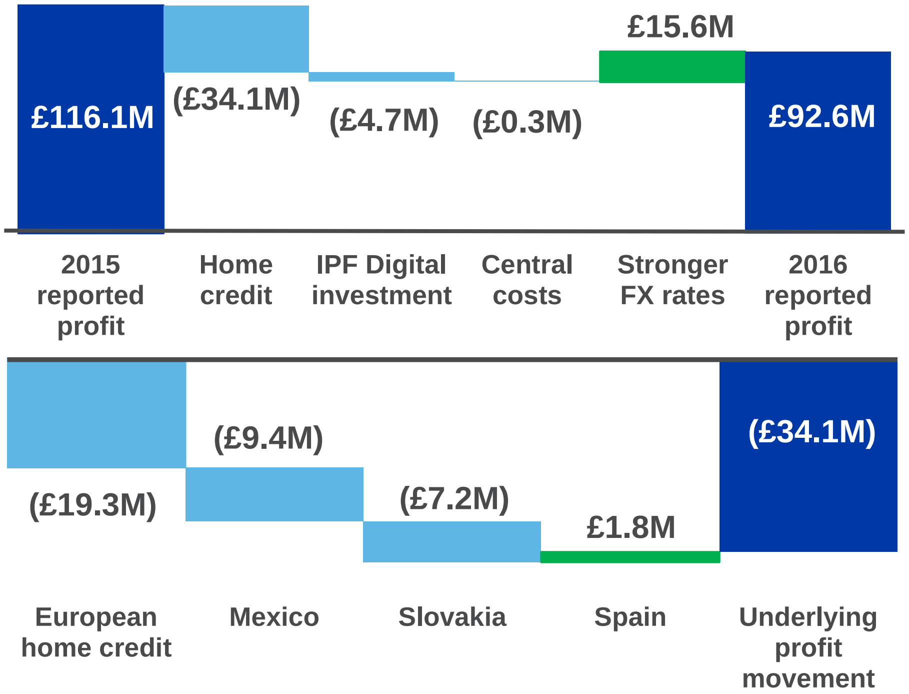
International Personal Finance plc

Justin Lockwood

Chief Financial Officer

Group profit before tax £92.6M

Group profit before tax in line with expectations

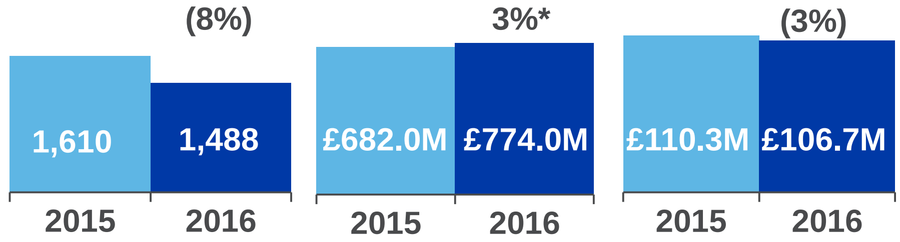


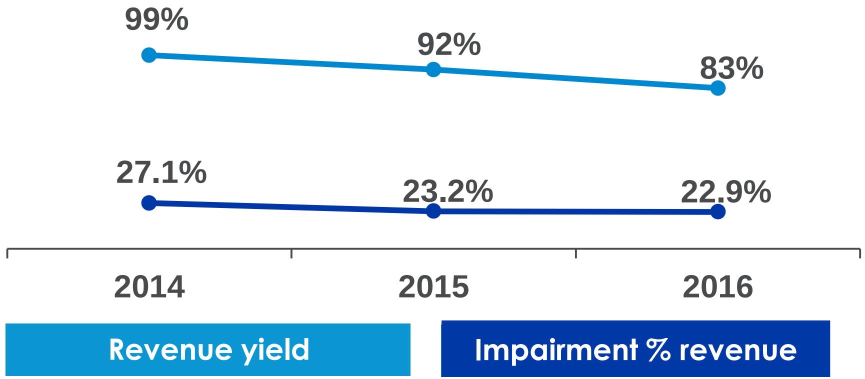
- Reduction in profit of £23.5M comprises:
  - Lower home credit profit
  - Higher investment in IPF Digital
  - Benefit of stronger FX rates
- Home credit profit decline of £34.1M reflects:
  - Competition & regulation impact in Europe
  - Performance issues and investment in Mexico
  - Wind down of Slovakia

European home credit

Underlying profit reduced due to competition and regulatory challenges

Customers (‘000) | Credit issued | Profit





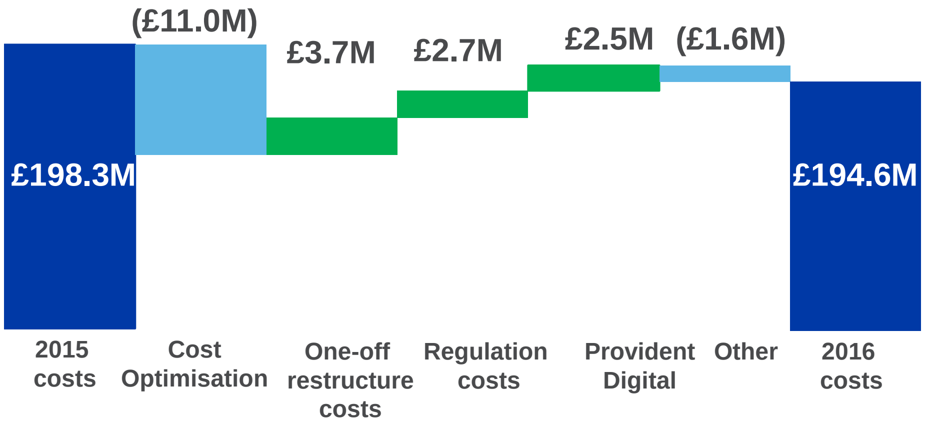
- Credit growth of 3% - mixed performance
- Reduction in revenue yields driven by product term and rate caps
- Good credit quality and collections – stable impairment
- Underlying profit lower by £19.3M:
  - Poland (£20.8M lower): regulation, competition and restructuring
  - Czech Republic (£3.5M lower): smaller business but better quality
  - Southern Europe (£5.0M higher); good growth, collections and cost control

* At constant exchange rates

All data excludes Slovakia and Spain

European home credit - cost optimisation programme

Driving efficiency and cost savings to offset regulatory cost pressure and invest in growth

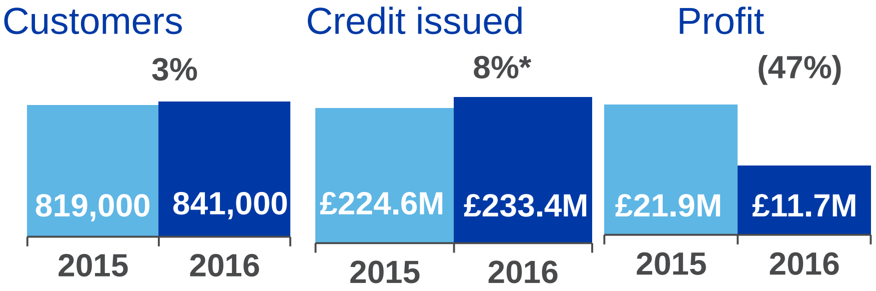


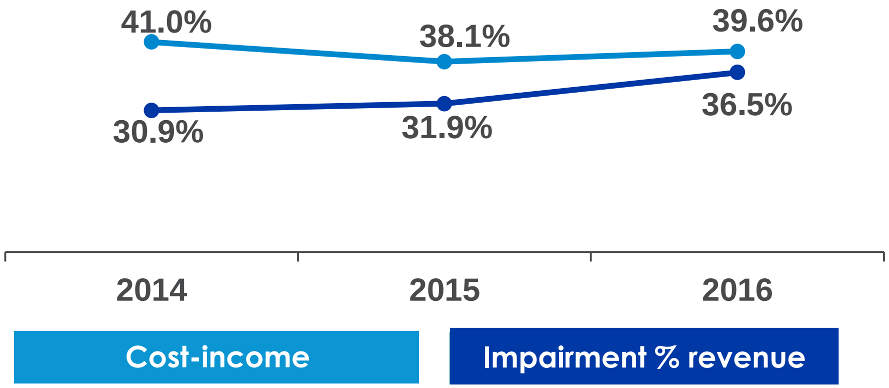
- Delivered c.£11M underlying cost savings – annualised impact c.£14M
- New sales and service structure and head offices right sizing - reduction of 430 roles
- Increased regulatory costs – Poland bank tax and Romanian agents to employee status
- Investment in Provident-branded digital offering
- Continue to seek further efficiencies - MyProvi agent technology to facilitate cost reduction in 2018 following investment in 2017

Costs excluding Spain (2015) and Slovakia and 2015 costs at constant exchange rates

Mexico home credit

Performance in H2 much improved and growth building momentum



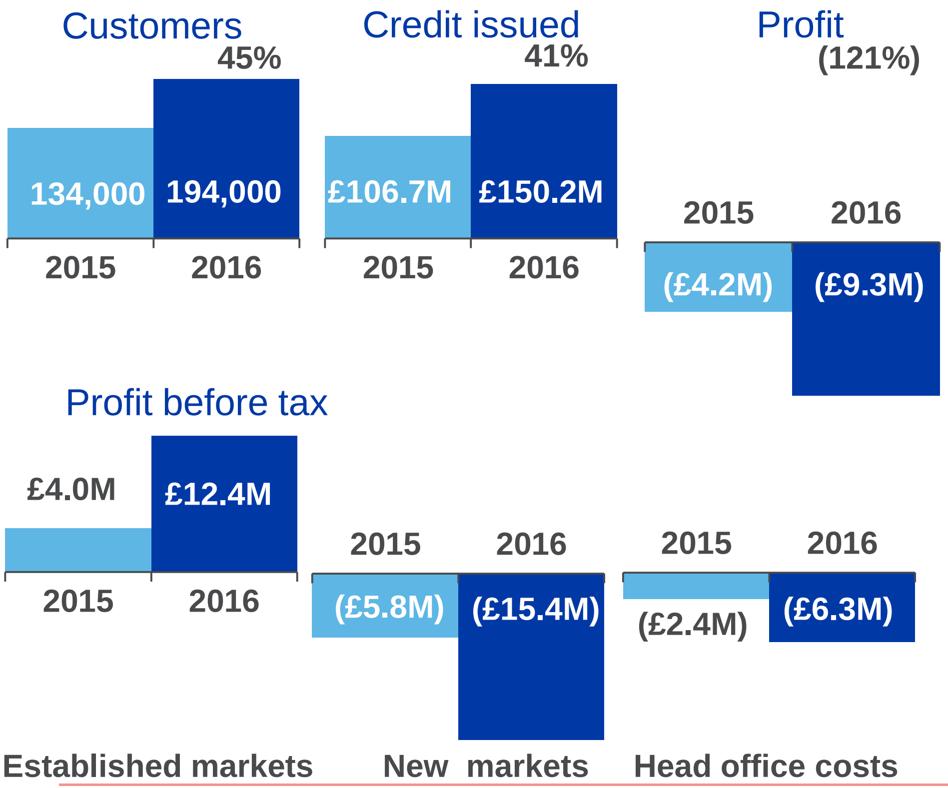


- Disappointing performance in H1 impacted full year P&L - underlying profit reduced by £9.4M
- Progressive improvement in credit issued growth and collections performance
- Invested in geographic expansion and micro-business loans which increased cost-income ratio
- Impairment at elevated levels - target reduction to 32% in 2017
- Good momentum in H2 2016 continuing in Q1 2017

* At constant exchange rates

IPF Digital

Delivering strong growth with investment in line with expectations



- Established markets - £8.4M profit growth
  - Good credit growth drove higher revenues
  - Impairment benefits from non-recurring debt sale profit of £4.4M
- New markets – increased investment at £15.4M
  - Very rapid growth driven by Poland and Spain
  - Impairment in line with expectations for these markets
- Head office – increased investment in functional capabilities to deliver expansion plan
- 2017 investment of £8M to £10M and maiden profit expected in 2018

Slovakia collect out performance

Performance better than expected due to strong execution

£53M receivables collected

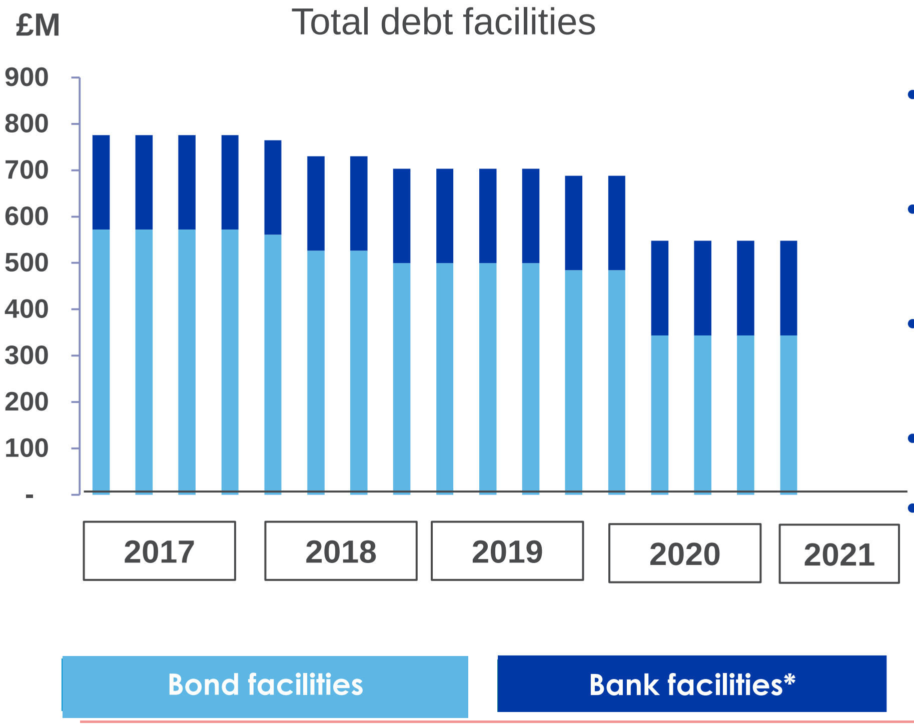
Collections 120% of original plan

£1.6M reported loss for 2016

- Decision taken to wind down Slovakian operation in February following a new rate cap
- Clearly focused plan to maximise collections and progressively reduce scope of operations
- Executed collect out plans successfully in 2016 - £53M receivables collected and all branches now closed
- Continuing collect out during H1 2017 and expect to move into liquidation phase in H2 2017
- Expected closure losses in 2016 and 2017 together of £3M to £4M – below original guidance of £5M to £7M

Strong financial position

Strong funding position with a balanced debt portfolio



- Total debt facilities of £775M – balanced portfolio of bonds and bank facilities
- Secure long-term bond funding – £482M maturing 2020 or 2021, no bond maturities in 2017
- £152M of headroom on bank facilities - £38M used for Polish tax payments in January 2017
- Strong balance sheet – receivables of £940M supported by equity of £430M
- Equity to receivables ratio 45.7%
- Proposed final dividend held at 7.8 pence per share

* Rolling extensions assumed

Outlook

Gerard Ryan

Chief Executive Officer

Outlook

- **Competitive and regulatory environment to remain challenging**
  - Responding to competition with expanded product set and new channels
  - Working with Polish government ministries and interested parties and aiming to achieve a more positive outcome for consumers and business
  - Regulatory changes in Romania being absorbed; expect significant impact on business
- **Continue to drive efficiency and invest in growth**
  - Using technology to deliver further efficiencies and optimise returns in European home credit
  - Maintaining balance of double-digit growth and effective collections in Mexico
  - Driving further strong growth and targeting profitability in 2018 for IPF Digital

Questions

Appendices

Group

Full-year to 31 December 2016

	2015 £M	**2016 £M**	Change at CER %
Customer numbers (000s) † **	2,563	**2,523**	(1.6)
Credit issued†	993.3	**1,157.6**	8.1
Revenue†	698.8	**755.9**	1.2
Annualised impairment % revenue†	25.6%	**26.8%**	(1.2)ppts
Annualised cost-income ratio	41.2%	**43.6%**	(2.4)ppts
PBT* (£M)	116.1	**92.6**	
Statutory PBT (£M)	100.2	**92.6**	
EPS* (pence)	37.1	**30.2**	

† Excluding Slovakia * 2015 before exceptional items ** Adjusted following change to treatment of slow paying customers in home credit businesses

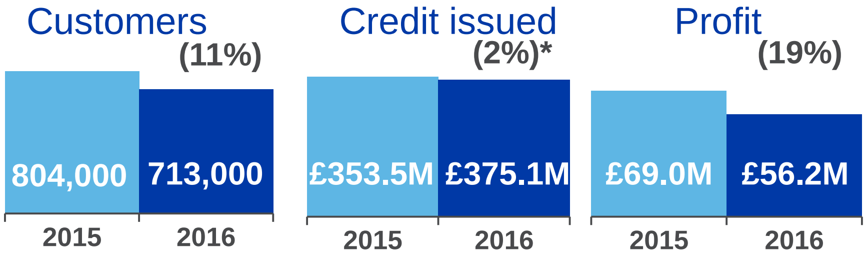
Poland-Lithuania

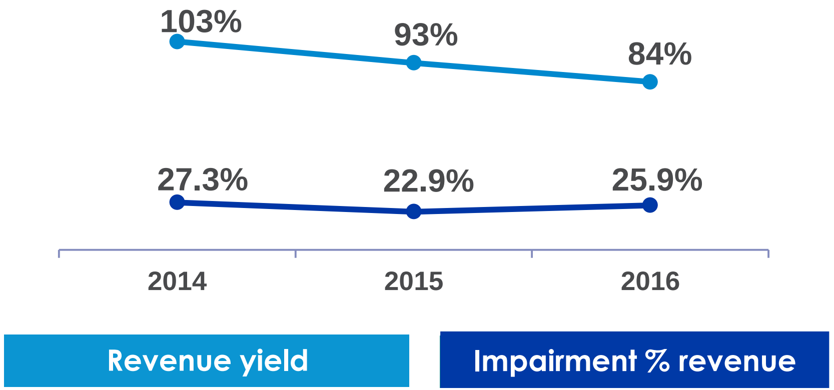
Full-year to 31 December 2016

	2015 £M	**2016 £M**	Change at CER %
Customer numbers (000s)	804	**713**	(11.3)
Credit issued	353.5	**375.1**	(2.0)
Average net receivables	287.5	**321.4**	3.2
Revenue	267.4	**270.7**	(6.4)
Impairment	(61.3)	**(70.0)**	(9.0)
Finance costs	(15.8)	**(17.8)**	(4.1)
Agents' commission	(29.8)	**(28.4)**	11.8
Other costs	(91.5)	**(98.3)**	0.3
Profit before taxation	69.0	**56.2**	

Poland - Lithuania

Performance impacted by regulation and competition





- Profit performance reflects impact of:
  - new total cost of credit legislation
  - competitive impact on volumes
  - new bank tax
  - restructuring and Lithuania exit costs
- Reduced revenue yield driven by total cost of credit cap and longer-term, larger loans
- Cost optimisation programme resulted in £6.9M underlying savings and removal of 260 roles
- Provident digital offering - 8,000 customers

* At constant exchange rates

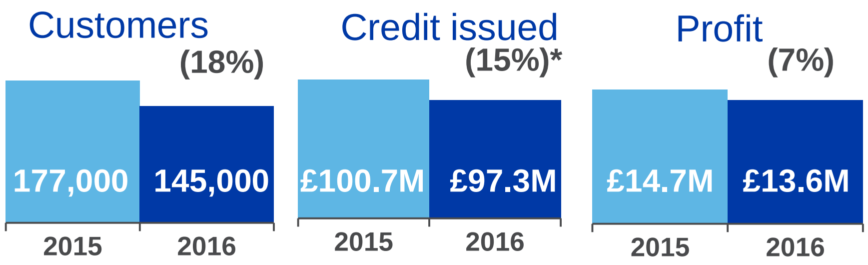
Czech Republic

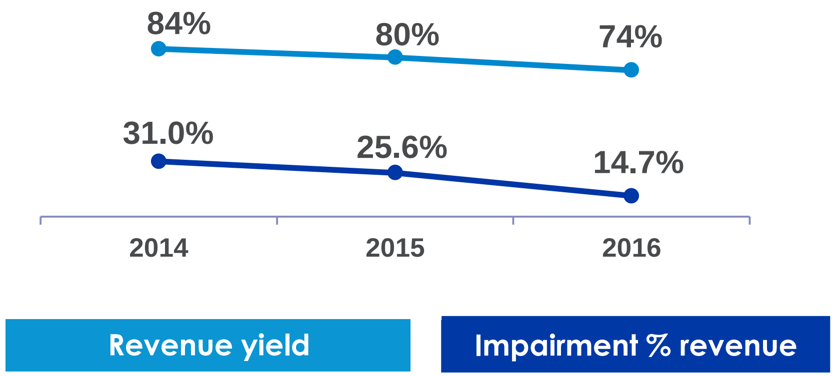
Full-year to 31 December 2016

	2015 £M	**2016 £M**	Change at CER %
Customer numbers (000s)	177	**145**	(18.1)
Credit issued	100.7	**97.3**	(14.9)
Average net receivables	87.1	**85.7**	(13.4)
Revenue	69.9	**63.2**	(20.3)
Impairment	(17.9)	**(9.3)**	54.0
Finance costs	(4.1)	**(4.2)**	10.6
Agents' commission	(7.1)	**(7.7)**	3.8
Other costs	(26.1)	**(28.4)**	3.1
Profit before taxation	14.7	**13.6**	

Czech Republic

Business continued to contract





- Intense competition resulted in business contraction
- New product offering introduced to broaden appeal and comply with new licensing regime - supported increase in loan values to higher quality customers
- Impairment reflects good collections and benefit of debt sales profit
- Cost optimisation programme resulted in £1.5M underlying savings and removal of 60 roles
- Launching Provident-branded digital product to retain more customers in 2017

* At constant exchange rates

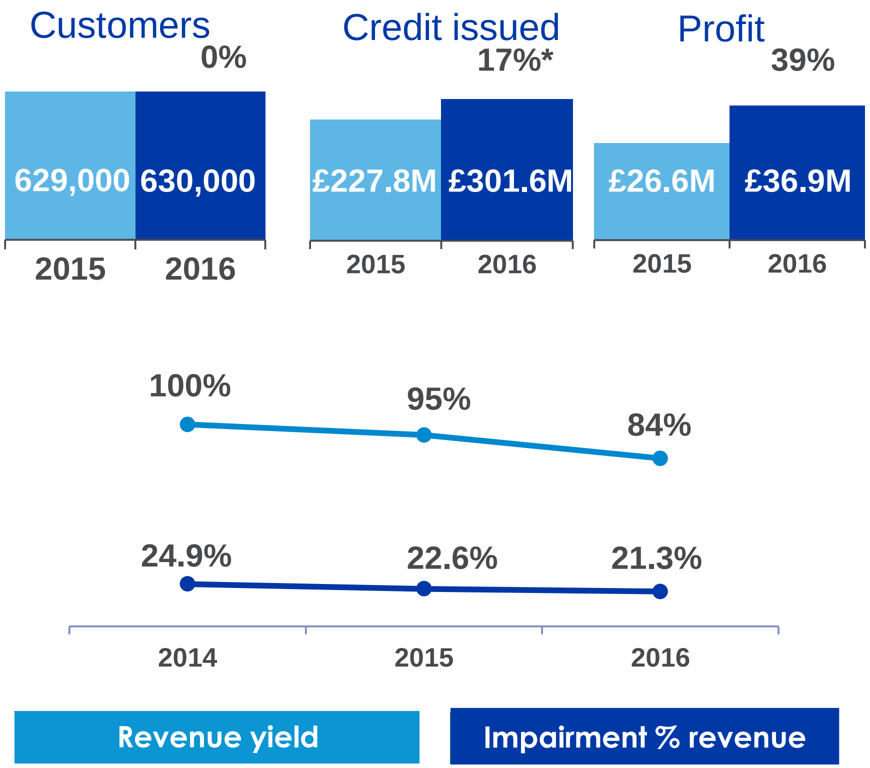
Southern Europe

Full-year to 31 December 2016

	2015 £M	**2016 £M**	Change at CER %
Customer numbers (000s)	629	**630**	0.2
Credit issued	227.8	**301.6**	16.9
Average net receivables	163.4	**212.2**	15.6
Revenue	155.1	**177.4**	2.2
Impairment	(35.0)	**(37.8)**	(0.3)
Finance costs	(9.5)	**(11.8)**	(12.4)
Agents' commission	(20.6)	**(23.0)**	0.4
Other costs	(63.4)	**(67.9)**	3.6
Profit before taxation	26.6	**36.9**	

Southern Europe

Delivered strong profit growth



- Good profit growth
- Longer-term, larger loans supported 17% increase in credit issued
- Good credit quality and collections – impairment in line with 2015
- Cost optimisation programme resulted in £2.6M underlying savings and removal of 110 roles
- New creditworthiness assessments in Romania will impact growth in 2017 significantly

* At constant exchange rates

Mexico

Full-year to 31 December 2016

	2015 £M	**2016** **£M**	Change at CER %
Customer numbers (000s)	819	**841**	2.7
Credit issued	224.6	**233.4**	7.9
Average net receivables	139.4	**149.7**	11.4
Revenue	175.3	**186.5**	10.4
Impairment	(56.0)	**(68.0)**	(25.9)
Finance costs	(7.1)	**(8.6)**	(24.6)
Agents’ commission	(23.5)	**(24.3)**	(7.5)
Other costs	(66.8)	**(73.9)**	(14.8)
Profit before taxation	21.9	**11.7**	

IPF Digital

Full-year to 31 December 2016

	2015* £M	**2016 £M**	Change at CER %
Customer numbers (000s)	134	**194**	44.8
Credit issued	86.7	**150.2**	51.1
Average net receivables	43.2	**86.4**	74.2
Revenue	31.1	**58.1**	63.2
Impairment	(8.9)	**(17.5)**	(71.6)
Finance costs	(3.1)	**(4.0)**	(11.1)
Other costs	(23.3)	**(45.9)**	(73.9)
Loss before taxation	(4.2)	**(9.3)**	

* 2015 includes ten and a half months of trading of MCB Finance following the acquisition in February 2015

IPF Digital – established markets

Full-year to 31 December 2016

	2015* £M	**2016 £M**	Change at CER %
Customer numbers (000s)	122	**137**	12.3
Credit issued	78.7	**108.4**	19.8
Average net receivables	40.4	**70.9**	52.5
Revenue	28.7	**45.5**	38.3
Impairment	(6.9)	**(7.6)**	5.0
Finance costs	(2.9)	**(3.4)**	-
Other costs	(14.9)	**(22.1)**	(28.5)
Profit before taxation	4.0	**12.4**	

* 2015 includes ten and a half months of trading of MCB Finance following the acquisition in February 2015

IPF Digital – new markets

Full-year to 31 December 2016

	2015* £M	**2016 £M**	Change at CER %
Customer numbers (000s)	12	**57**	375
Credit issued	8.0	**41.8**	369.7
Average net receivables	2.8	**15.5**	400.0
Revenue	2.4	**12.6**	366.7
Impairment	(2.0)	**(9.9)**	(350.0)
Finance costs	(0.2)	**(0.6)**	(200.0)
Other costs	(6.0)	**(17.5)**	(165.2)
Loss before taxation	(5.8)	**(15.4)**	

* 2015 includes ten and a half months of trading of MCB Finance following the acquisition in February 2015

Underlying profit reconciliation

	FY 2015 reported profit £M	Underlying profit movement £M	IPF Digital investment £M	FX rates £M	FY 2016 reported profit £M
Home credit	134.9	(34.1)	-	16.0	**116.8**
IPF Digital	(4.2)	-	(4.7)	(0.4)	**(9.3)**
Central costs	(14.6)	(0.3)	-	-	**(14.9)**
Profit before taxation and exceptional items	116.1	(34.4)	(4.7)	15.6	**92.6**

Slovakia

Collect out – impact on equity supporting the receivables book

	£M
Pre-write off receivables value at December 2015	**41.1**
Exceptional impairment charge at December 2015	**(10.3)**
Post-write off receivables value at December 2015	**30.8**
Equity pre-write off of receivables value at 40% of receivables	**16.4**
Less capital consumed in exceptional impairment change	**(10.3)**
Less total expected net closure loss*	**(3.5)**
Surplus equity	**2.6**
Less deferred tax asset and fixed asset exceptional charge 2015	**(8.3)**
Net equity position	**(5.7)**

* Net closure cost in 2016 and 2017 is a range of £3M to £4M

Balance sheet

£M	Dec 2015	Dec 2016	Change at CER %
Goodwill	20.1	**23.3**	-
Fixed assets	49.9	**56.0**	6.3%
Receivables	802.4	**939.9**	5.0%
Cash	39.9	**43.4**	(2.0)%
Borrowings	(556.9)	**(622.8)**	(1.5)%
Other net liabilities	(28.2)	**(10.3)**	64.1%
Equity	327.2	**429.5**	14.9%

Strong financial profile

	FY 2014	FY 2015	FY 2016
Gearing	1.3x	1.7x	**1.5x**
Adjusted earnings per share*	38.0p	37.1p	**30.2p**
Interest cover*	3.7x	3.9x	**3.2x**
Return on equity*	23.6%	23.3%	**17.7%**
Return on assets	16.1%	15.1%	**11.6%**
Equity to receivables ratio	47.5%	40.8%	**45.7%**

* Prior years pre-exceptional

Foreign exchange rates

	Current rates 27 February 2017	2016		2015	
		Closing Dec	Average	Closing Dec	Average
Polish zloty	5.1	5.2	5.3	5.8	5.8
Czech crown	31.7	31.6	33.3	36.6	37.6
Euro	1.2	1.2	1.2	1.4	1.4
Hungarian forint	361.1	362.1	377.7	427.1	428.3
Mexican peso	24.7	25.6	25.6	25.3	24.5
Romanian leu	5.3	5.3	5.4	6.1	6.1
Bulgarian lev	2.3	2.3	2.4	2.7	2.7
Australian Dollar	1.6	1.7	1.8	2.0	2.0

International Personal Finance plc

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