



International  
Personal Finance

*The human face of finance*

# Bank of America Merrill Lynch

## Banking & Insurance Conference 2009

### Emerging EMEA Meetings

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## Introduction to International Personal Finance

IPF is a leading UK based provider of small sum, short-term, unsecured loans in emerging markets

<b>Countries:</b>	6
<b>Customers:</b>	1.97 million
<b>Agents:</b>	26,000
<b>Employees:</b>	5,500
<b>Pre-tax profit:</b>	£70 million in 2008

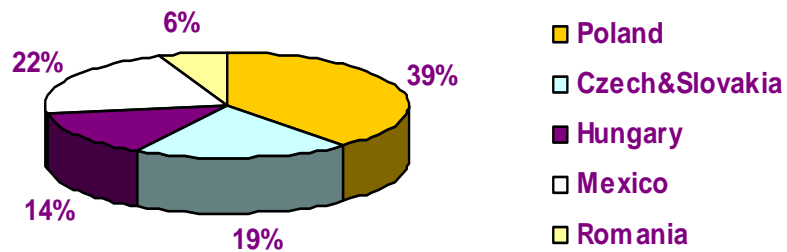




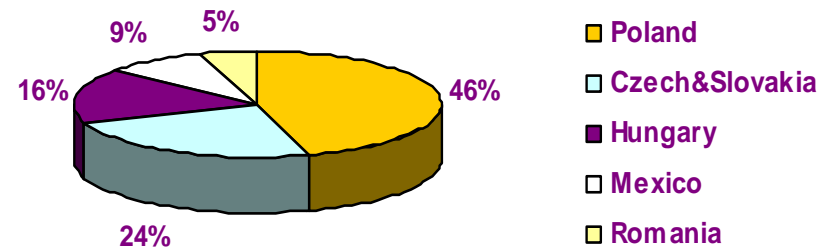
# Introduction to International Personal Finance

Key business indicators as at 30 June 2009: split by countries

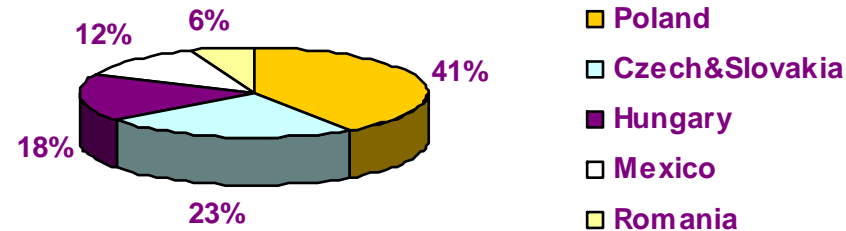
Customer numbers



Receivables



Revenue





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# Home credit business model



## Home credit: **overview**

- **Small sum, unsecured loans in local currency**
- **Low and grow strategy, starting customers on small sums**
- **Fixed charges – no default or penalty interest**
- **Personal service delivered in the home by agents**
- **Credit vetting in the home by the agent, supported by application and behavioural scoring**



## Typical customer and agent

### Customer

- Over half female
- 35 – 65 years of age
- Average to below average income
- Employed or self-employed
- No credit history
- Underserved by mainstream lenders

### Agent

- Three-quarters female
- Part of their time spent as an agent (2-3 evenings a week)
- 70 – 100 customers
- Often well known in the community
- Remunerated on collections not on lending



## A powerful suite of credit management systems

### Business Model

- Agents remunerated based on collections
- Lending based on disposable income not asset value
- No introductory offers

### Agents

- Development of customer relationship
- Assessment of customer character, circumstances and capacity to pay

### Systems

- Application scoring
- Behavioural scoring
- Centralised arrears management
- Prudent provisioning



## Prudent provisioning methodology

- Weekly assessment
- Impairment charge made in the event of missed payment **or portion of a payment** – even if agent fails to call
- Impairment is calculated using third party developed actuarial models to estimate amount and timing of future cash flows – over 97% predictive
- Separate models for each product in each country
- Provisions formally reviewed on a regular basis to ensure reflect current performance
- Short-term loans and prudent provisioning means impairment charged to income statement quickly



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# Financial performance



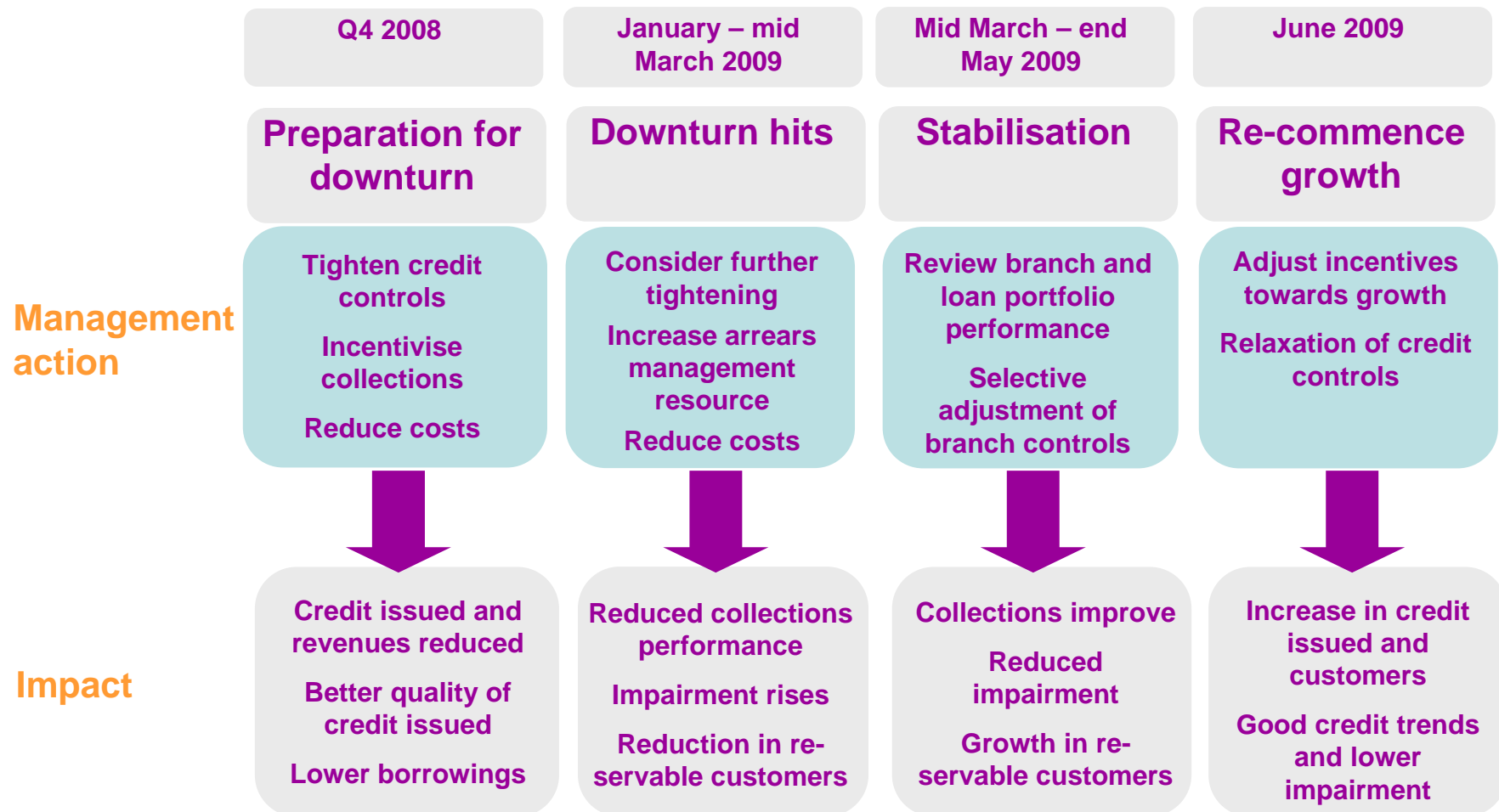
## Full year Group profit

12 months ended 31 Dec 2008

	FY 2008 £m
Customer numbers ('000)	2,029
Credit issued	791.0
Average net receivables	504.9
Revenue	557.1
Impairment	(127.2)
Other costs	(359.6)
<b>Profit before tax</b>	<b>70.3</b>



## Approach to managing through the downturn





## Encouraged by Q2 recovery

Profit before tax from continuing operations





## H1 2009 Group highlights

- Strong recovery in profit as a result of action taken
- Hungary recovery plan to return to profit for 2010
- Mexico progressing well and on track for profit for 2009
- Romania progressing well but we are cautious on economic outlook



## Half year Group profit

6 months ended 30 June 2009

	H1 2009 £m	H1 2008 £m	Change at CER %
Customer numbers ('000)	1,966	1,960	-
Credit issued	313.6	373.8	(15)
Average net receivables	473.5	474.8	2
Revenue	265.0	260.7	3
Impairment	(95.9)	(61.3)	(53)
Finance costs	(15.4)	(13.8)	(12)
Agents' commission	(31.6)	(35.4)	10
Other costs	(113.0)	(123.9)	3
Profit before tax and fair value adjustments	9.1	26.3	(68)
Fair value adjustments	3.3	(2.0)	
<b>Profit before tax*</b>	<b>12.4</b>	<b>24.3</b>	

\*Continuing operations



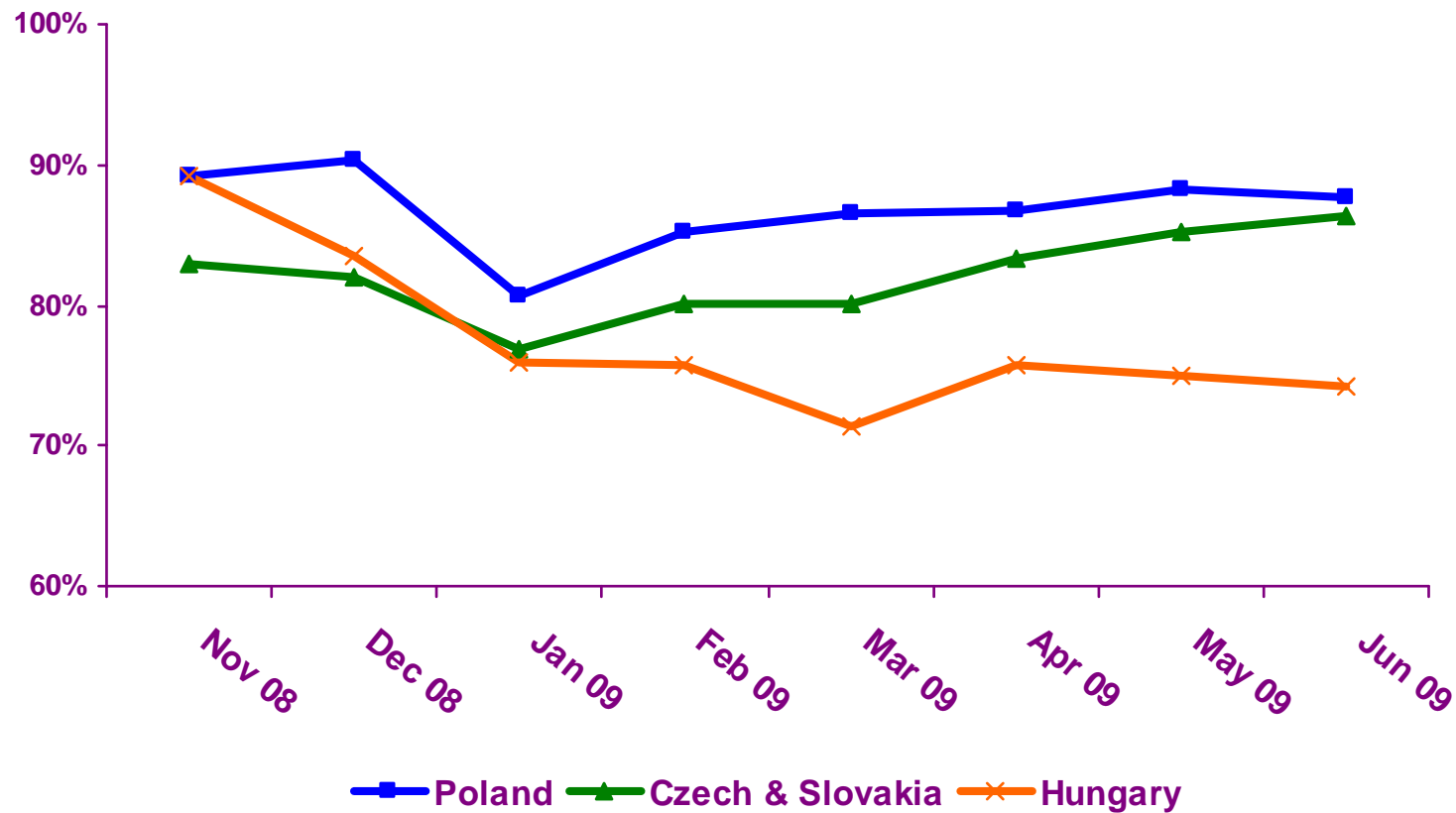
## Central Europe: strong recovery in Q2, 2009

Pre-tax profit	Q2 2009 £m	Q2 2008 £m	Change £m	Q1 2009 £m	Q1 2008 £m	Change £m
Central Europe excluding Hungary	23.3	24.2	(0.9)	4.4	13.8	(9.4)
Hungary	(1.2)	2.8	(4.0)	(5.8)	2.1	(7.9)
Central Europe	22.1	27.0	(4.9)	(1.4)	15.9	(17.3)

\* From continuing operations and before fair value adjustments



## Central Europe: collections performance November 2008 - June 2009





## Developing markets: performing in line with expectations

Pre-tax profit	Q2 2009 £m	Q2 2008 £m	Change £m	Q1 2009 £m	Q1 2008 £m	Change £m
Mexico	(0.6)	(1.4)	0.8	(2.9)	(4.0)	1.1
Romania	(0.4)	(2.7)	2.3	(1.5)	(2.1)	0.6
Developing markets	(1.0)	(4.1)	3.1	(4.4)	(6.1)	1.7



## Outlook for H2 2009

- Encouraged by Q2 recovery
- Mexico and Romania on track
- Savings from cost reduction expected to continue
- Much depends on trading conditions during Q4 peak
- Term extension to yield £10-12 million benefit
- Risks in down-sizing Hungarian operation
- Speed of return to growth in Poland and Czech-Slovakia
- Well positioned for an improved H2 performance and so, should continue to meet banking covenants

**Economic conditions remain uncertain**



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# Balance sheet and funding



## Balance sheet

	June 2009 £m	Dec 2008 £m	Change at CER %	June 2008 £m	Change at CER %
Fixed assets	54.4	69.9	(15)	65.2	(11)
Receivables	444.4	574.4	(10)	522.0	(4)
Cash	33.0	62.2	(40)	59.6	(39)
Borrowings	(304.1)	(434.3)	20	(388.8)	14
Other net liabilities	(14.8)	(13.4)	(54)	(14.5)	(12)
Equity	212.9	258.8	(5)	243.5	2
Equity to receivables	47.9%	45.1%		46.6%	
Gearing	1.4x	1.7x		1.6x	



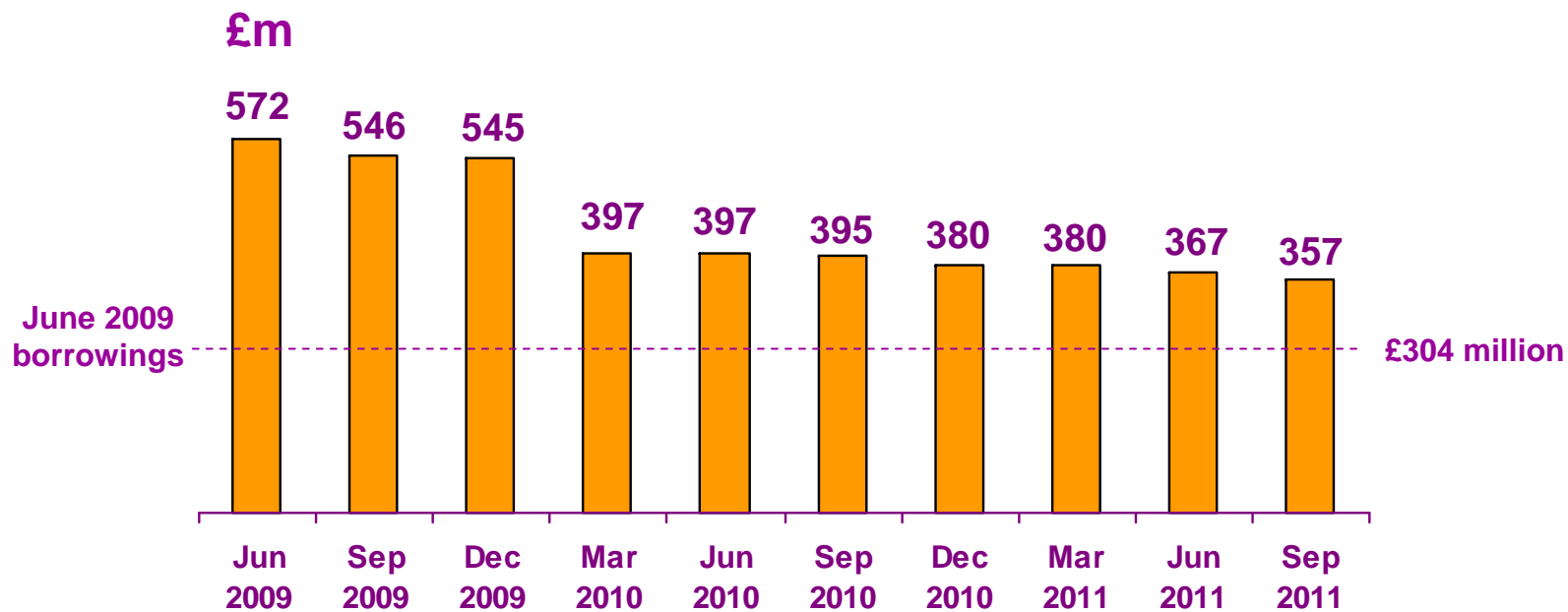
## Headroom on bank covenants

	June 2009	Covenant	Headroom
Interest cover	3.1x	2x min	£33m (pre-tax profit)
Net worth*	£217m	£125m min	£92m (net worth)
Receivables: borrowings	1.5x	1.1x min	£100m (borrowings)
Gearing*	1.4x	3.75x max	£136m (net worth)

\* Adjusted for derivatives and pension liabilities



## Committed bank facilities





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