



International  
Personal Finance

*The human face of finance*

# ING 12th Annual EMEA Forum

## Prague

1 December 2009



## 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>	2 million
<b>Agents:</b>	26,000
<b>Employees:</b>	5,700
<b>Pre-tax profit:</b>	£70 million in 2008

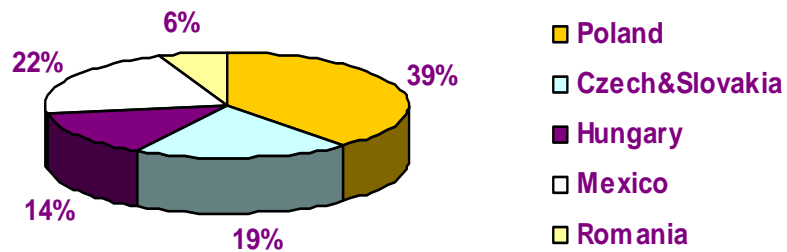




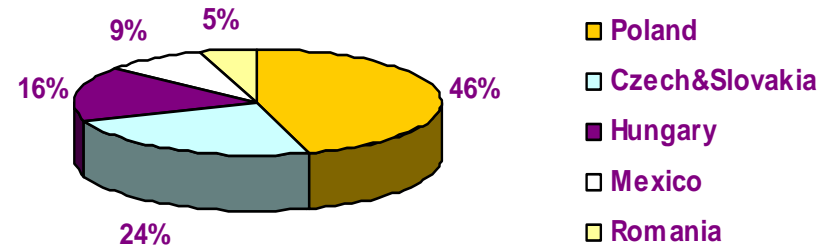
# Introduction to International Personal Finance

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

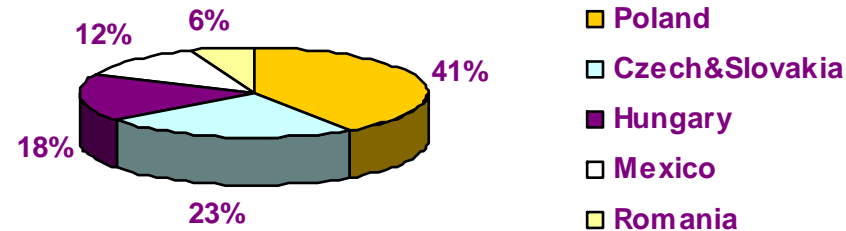
Customer numbers



Receivables



Revenue





## A clear strategy

① Optimise profitability of well-established businesses

② Bring developing markets into profit and realise potential

③ Enter new markets that offer good growth prospects



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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



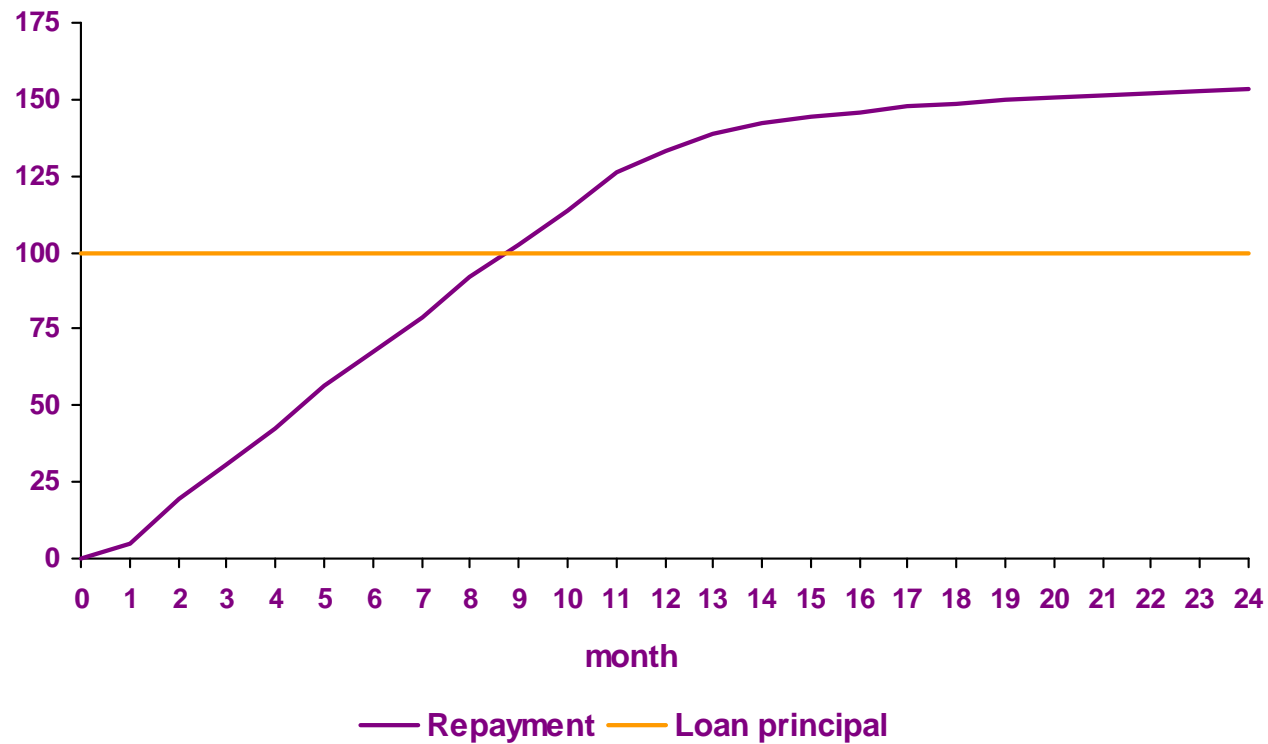
## Prudent provisioning methodology

- 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



## Short-term lending means principal repaid quickly

### Typical 1 year product repayment profile (Poland)





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# Financial performance



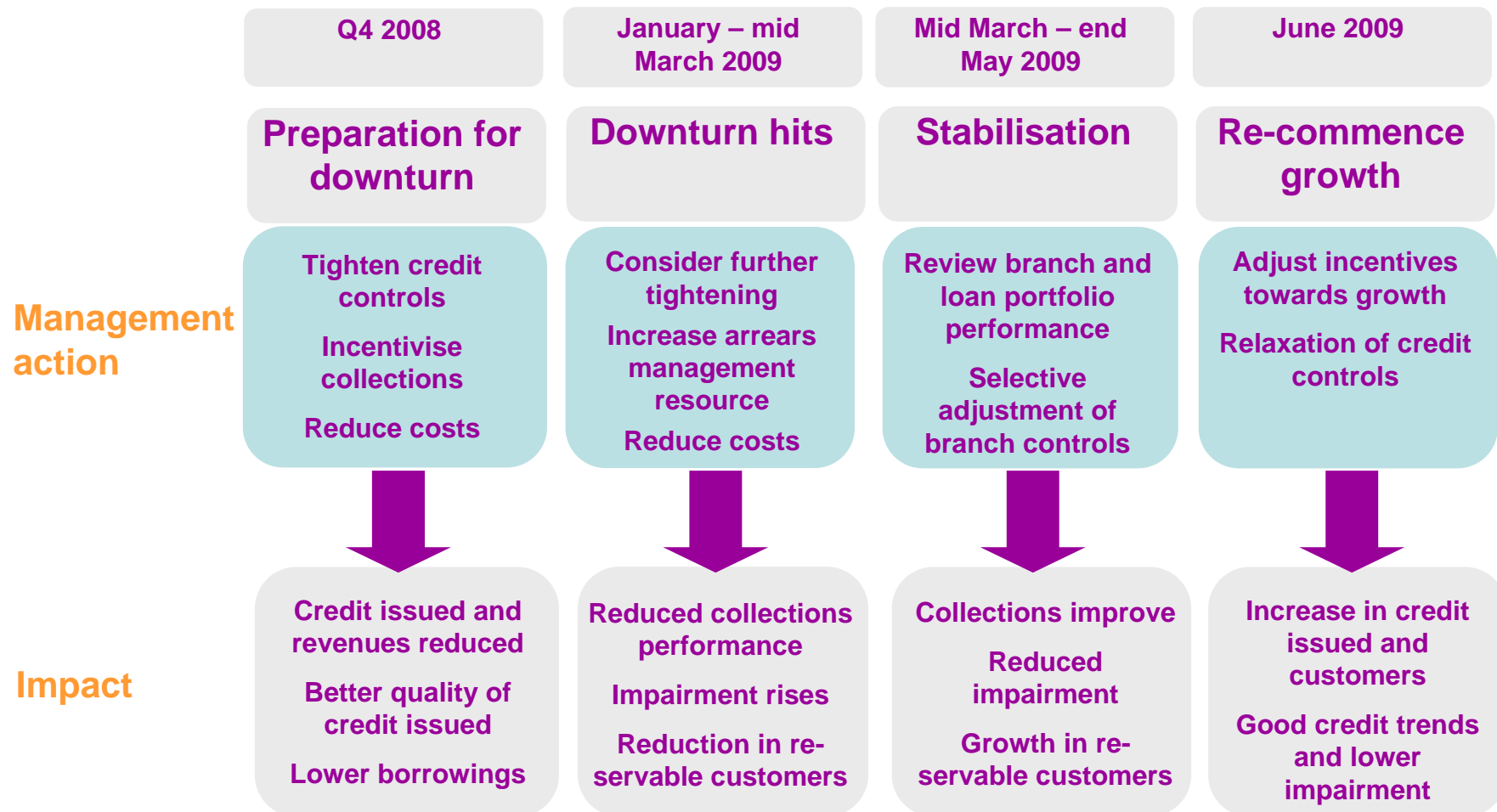
## Full year Group profit

12 months ended 31 Dec

	Pro forma 2006 £m	Pro forma 2007 £m	2008 £m
Customer numbers (000s)	1,781	1,937	2,029
Credit issued	524.3	621.1	791.0
Average net receivables	307.7	362.1	504.9
Revenue	365.3	409.8	557.1
Impairment	(103.1)	(83.2)	(127.2)
Finance costs	(18.6)	(19.2)	(29.5)
Agents' commission	(42.3)	(56.7)	(72.0)
Expenses	(160.8)	(198.2)	(254.3)
Other costs	(0.6)	(2.4)	(3.8)
<b>Profit before tax</b>	<b>39.9</b>	<b>50.1</b>	<b>70.3</b>



## Approach to managing through the downturn





## Q3 performance highlights

- Economies stabilising & collection performance improving
- Hungary restructure completed successfully
- Improved collections performance allows some credit relaxation
- Growth has resumed in established markets
- Mexico on track to make a profit for 2009
- Romania on track to make a profit for 2010
- Much depends on trading conditions during Q4 peak



## Central Europe: strong recovery

Pre-tax profit	Q3 2009 £m	Q3 2008 £m	Change £m	Q2 2009 £m	Q2 2008 £m	Change £m	Q1 2009 £m	Q1 2008 £m	Change £m
Central Europe excluding Hungary	23.7	22.1	1.6	23.3	24.2	(0.9)	4.4	13.8	(9.4)
Hungary	(2.0)	4.0	(6.0)	(1.2)	2.8	(4.0)	(5.8)	2.1	(7.9)
Central Europe	21.7	26.1	(4.4)	22.1	27.0	(4.9)	(1.4)	15.9	(17.3)

\* From continuing operations and before fair value adjustments



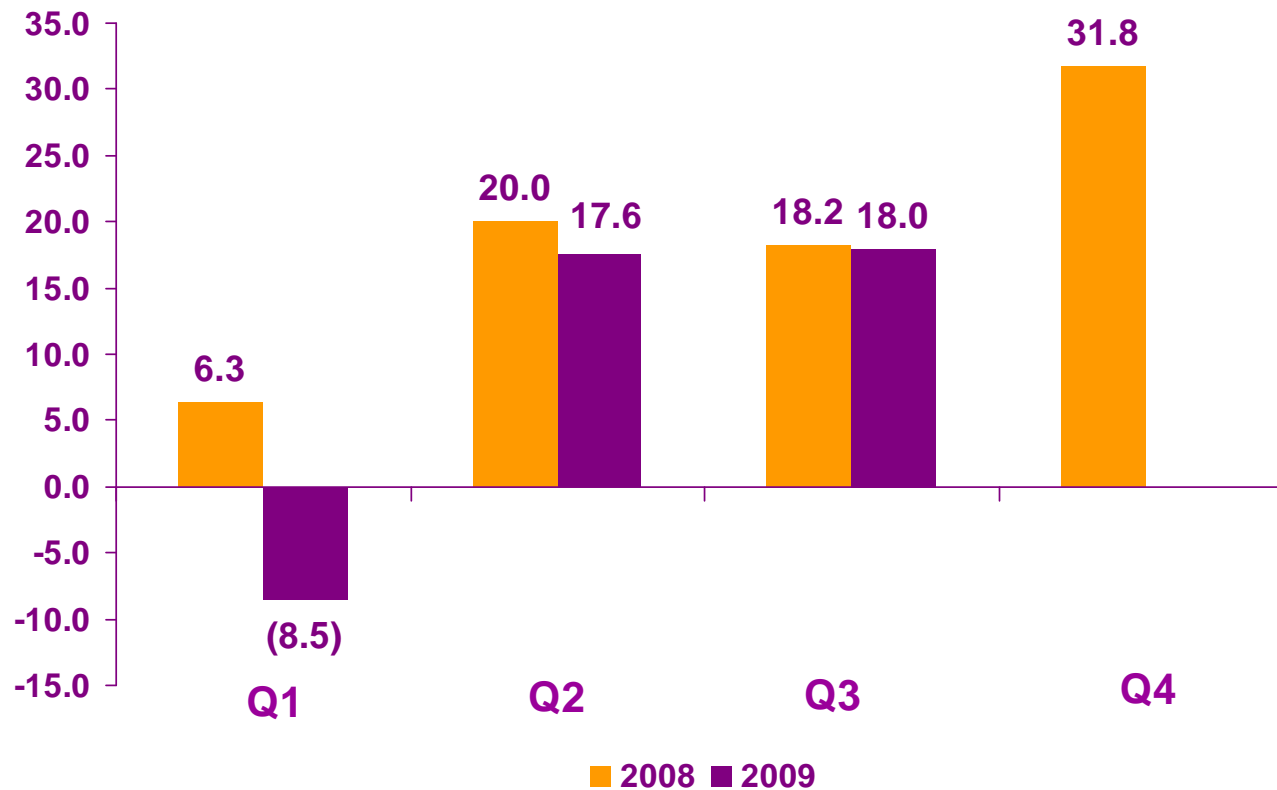
## Developing markets: performing in line with expectations

Pre-tax profit	Q3 2009 £m	Q3 2008 £m	Change £m	Q2 2009 £m	Q2 2008 £m	Change £m	Q1 2009 £m	Q1 2008 £m	Change £m
Mexico	0.2	(3.0)	3.2	(0.6)	(1.4)	0.8	(2.9)	(4.0)	1.1
Romania	(0.8)	(1.9)	1.1	(0.4)	(2.7)	2.3	(1.5)	(2.1)	0.6
Developing markets	(0.6)	(4.9)	4.3	(1.0)	(4.1)	3.1	(4.4)	(6.1)	1.7



## A resilient business

Profit before tax from continuing operations (£m)





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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	



## We lend short and borrow long

	Year end receivables £m	%	Funding facilities £m	%
Less than one year	478.3	96	172.4	28
More than one year	18.2	4	435.7	72
	496.5	100	608.1	100
<b>Borrowings</b>			<b>(337.6)</b>	
<b>Headroom</b>			<b>270.5</b>	



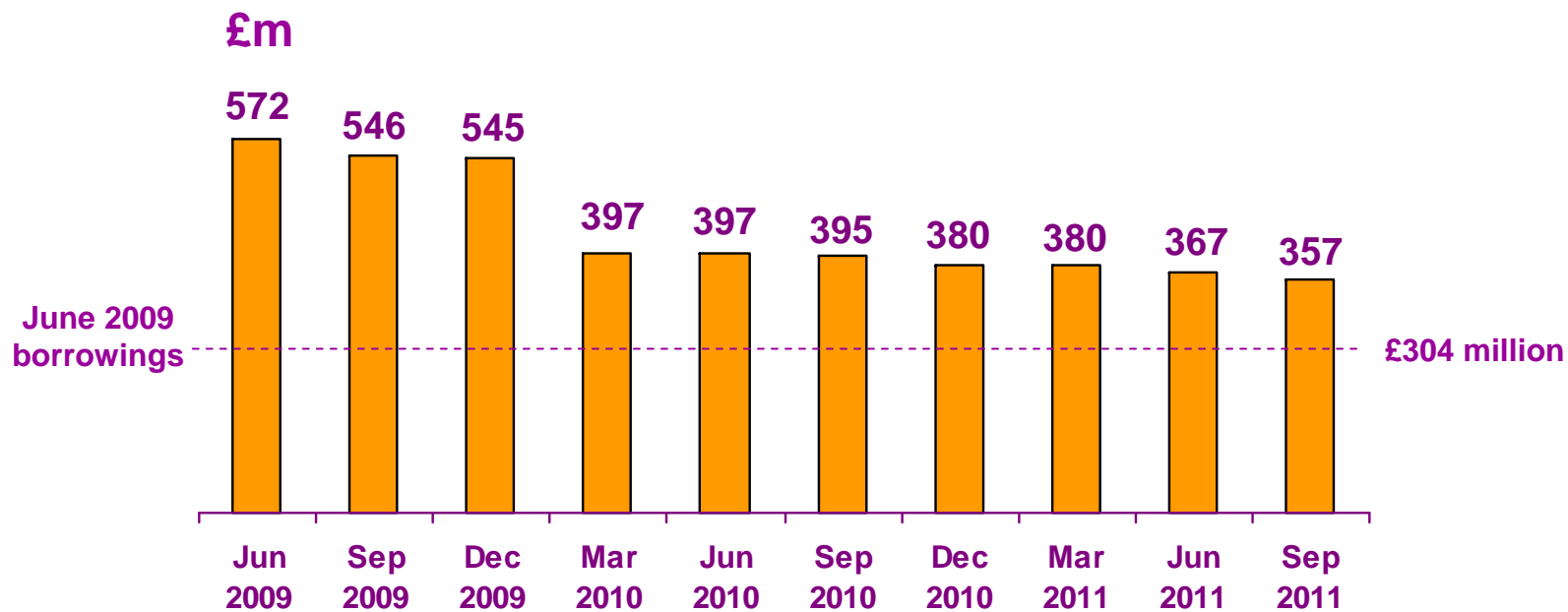
## Headroom on bank covenants

	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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# Summary



## **A robust investment proposition**

- **Clear, consistent strategy and established record of delivery**
- **Long-established business model**
- **Well-established and effective risk management systems**
- **Resilient trading performance**
- **Strong financial profile**



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