



International
Personal Finance

The human face of finance

International Personal Finance

Credit Suisse Small & Mid Cap conference

June 2010

John Harnett
David Broadbent

– **Chief Executive Officer**
– **Finance Director**



Introduction to International Personal Finance

IPF is a face-to-face consumer lending business, focused on emerging markets

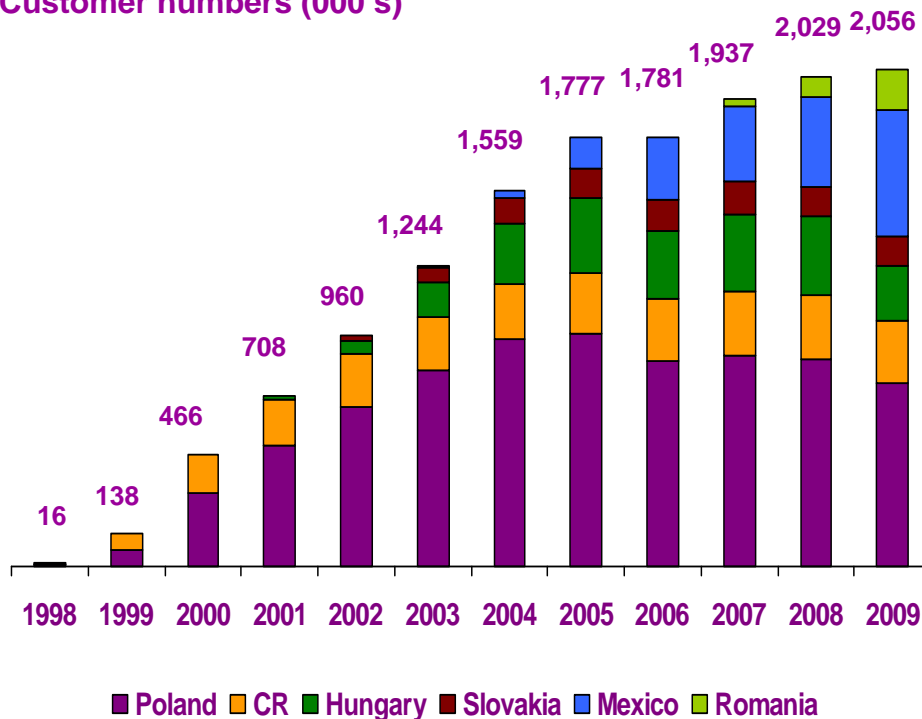
Countries:	6
Customers:	2 million
Agents:	26,000
Employees:	6,200
2009 pre-tax profit:	£61.7 million
2009 gross receivables	£1 billion





History and development

Customer numbers (000's)



- ▶ Home credit business
- ▶ Operating in UK for over 100 years
- ▶ Commenced international operations in 1997
- ▶ Market entry:
 - 1997 Poland & Czech Republic
 - 2001 Hungary & Slovakia
 - 2003 Mexico
 - 2006 Romania
- ▶ Demerged from Provident Financial in 2007



A clear strategy

- 1 Optimise profitability of well-established businesses
- 2 Realise profit potential in developing markets
- 3 Enter new markets that offer good growth prospects



A robust investment proposition

- ▶ A resilient business model
- ▶ Effective risk management systems
- ▶ Experienced management team
- ▶ Strong financial profile
- ▶ Good profitable growth prospects



International
Personal Finance

The human face of finance

Home credit – resilient business model



Home credit: **product**

- Small sum, short-term unsecured loans in local currency
- Customers are employed or self-employed
- Low and grow strategy, starting customers on small sums
- 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
- Agents incentivised on amounts collected – cash collected weekly at customers homes



Home credit: **good profit margins**

Revenue	100%
Agents' commission	12 - 13%
Impairment	20 - 25%
Interest	5 - 6%
Direct expenses	30 - 35%
Profit margin	c.25%



Cost effective customer acquisition & retention

- Recognised financial brand: 70%+ awareness in most markets
- 26,000 agents provide powerful engine for low cost of customer acquisition at £20
- Strong retention – high proportion of eligible customers renew loans
- Strong focus on lifetime value





Collections processes

Field based collections

- Agent collects weekly
- Customers in arrears managed via a combination of:
 - letters
 - Development Manager visits
 - centralised telephone calls
- Process escalates as arrears increase

Write off – 12 weeks non- payment

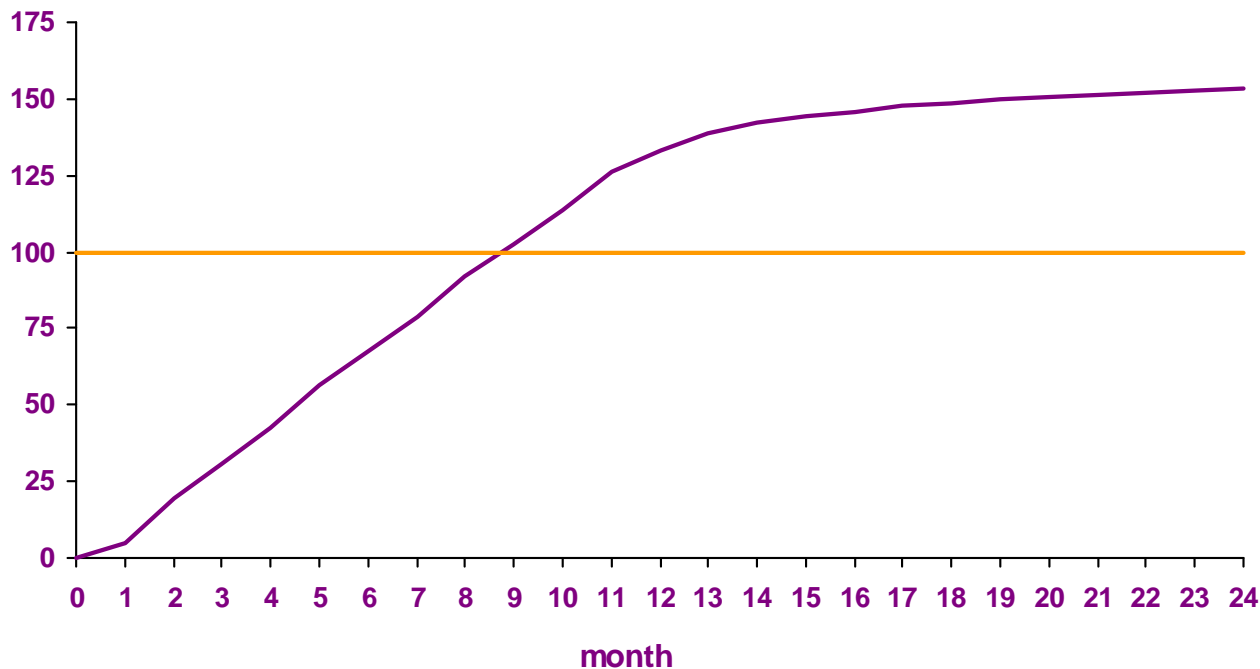
Debt recovery

- Central arrears in all markets
- Balances recovered through:
 - letters
 - calls
 - collection agencies
 - court action
- Typically collect 10 - 20% of write off



Short-term lending means principal repaid quickly

Typical 1 year product repayment profile (Poland)



— Repayment — Loan principal

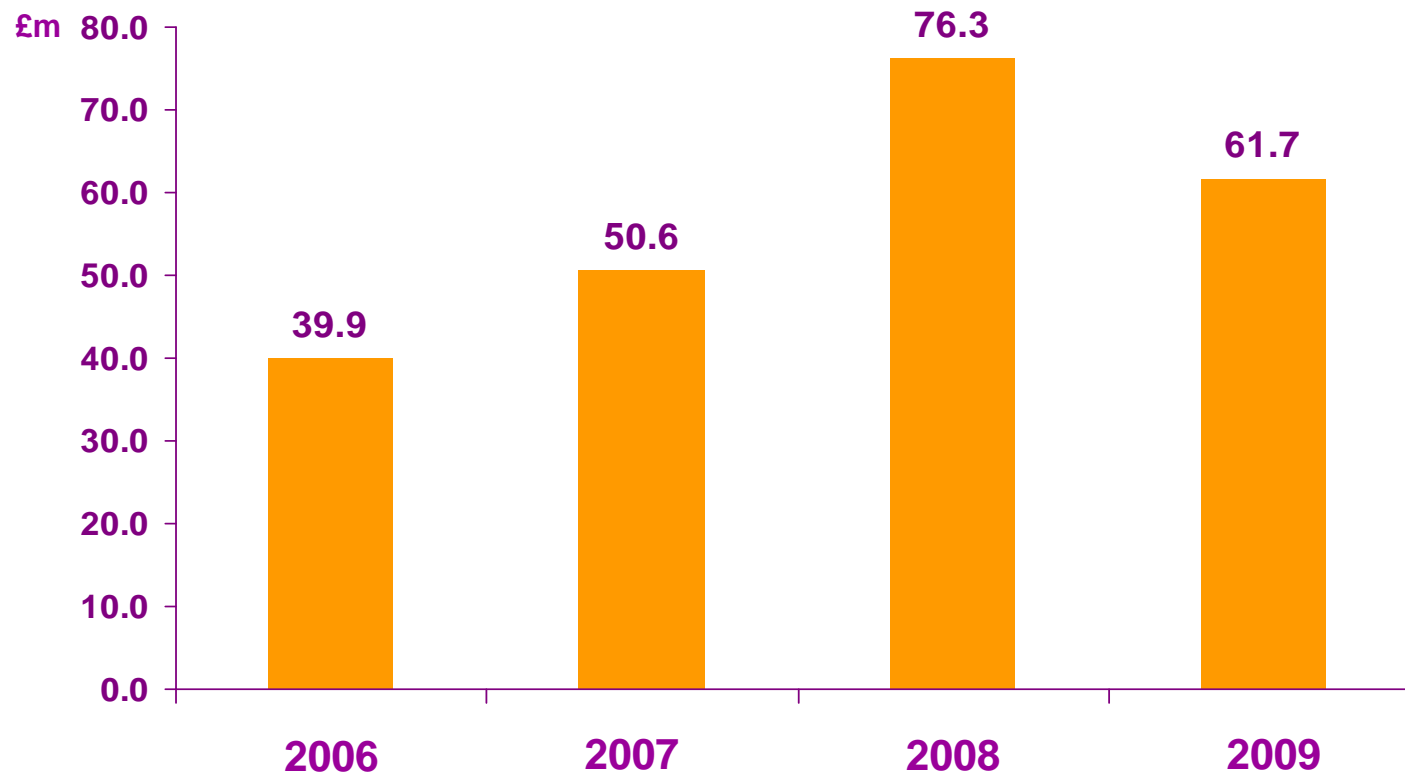
Average term of credit (weeks)

Poland	49
Czech Republic	54
Hungary	50
Slovakia	52
Mexico	34
Romania	46



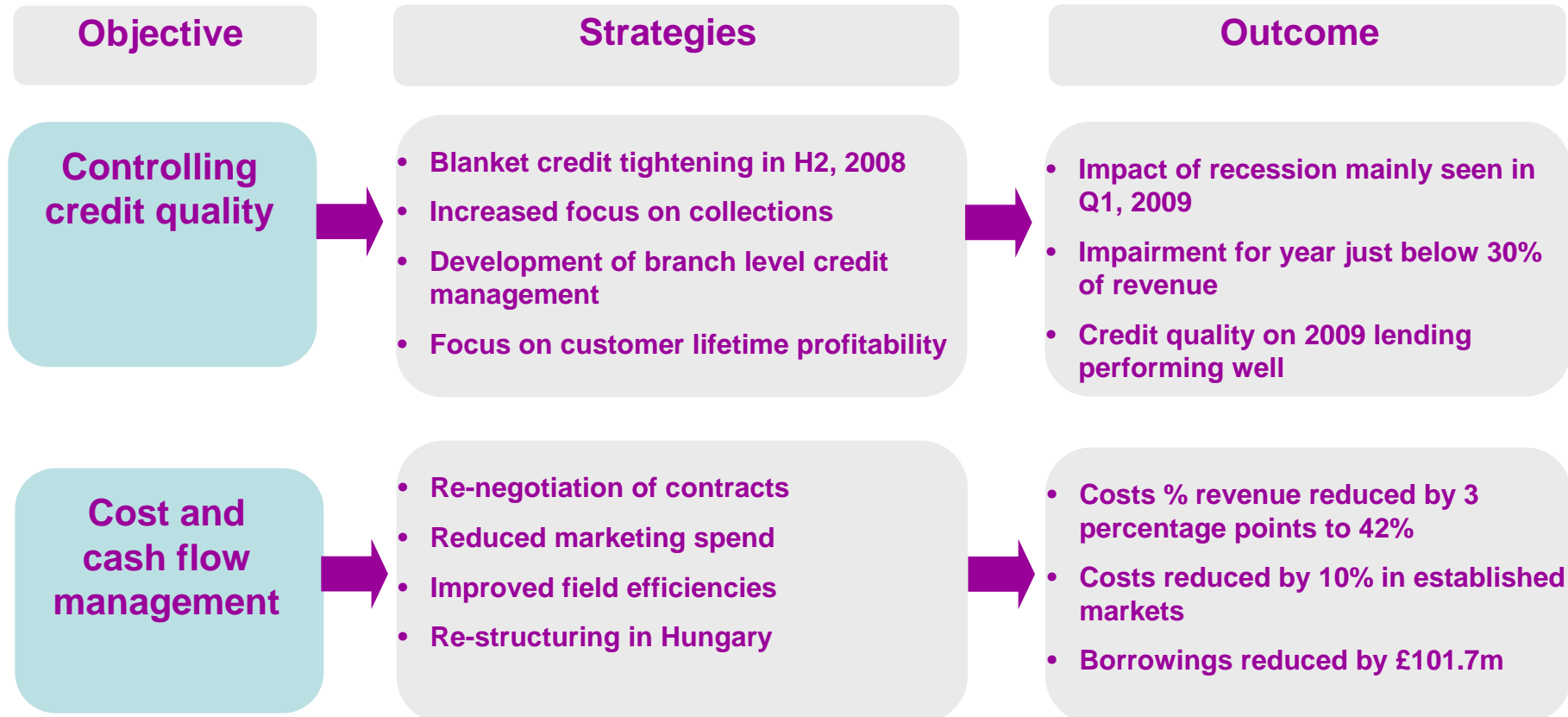
A resilient and profitable business

Profit before tax from continuing operations





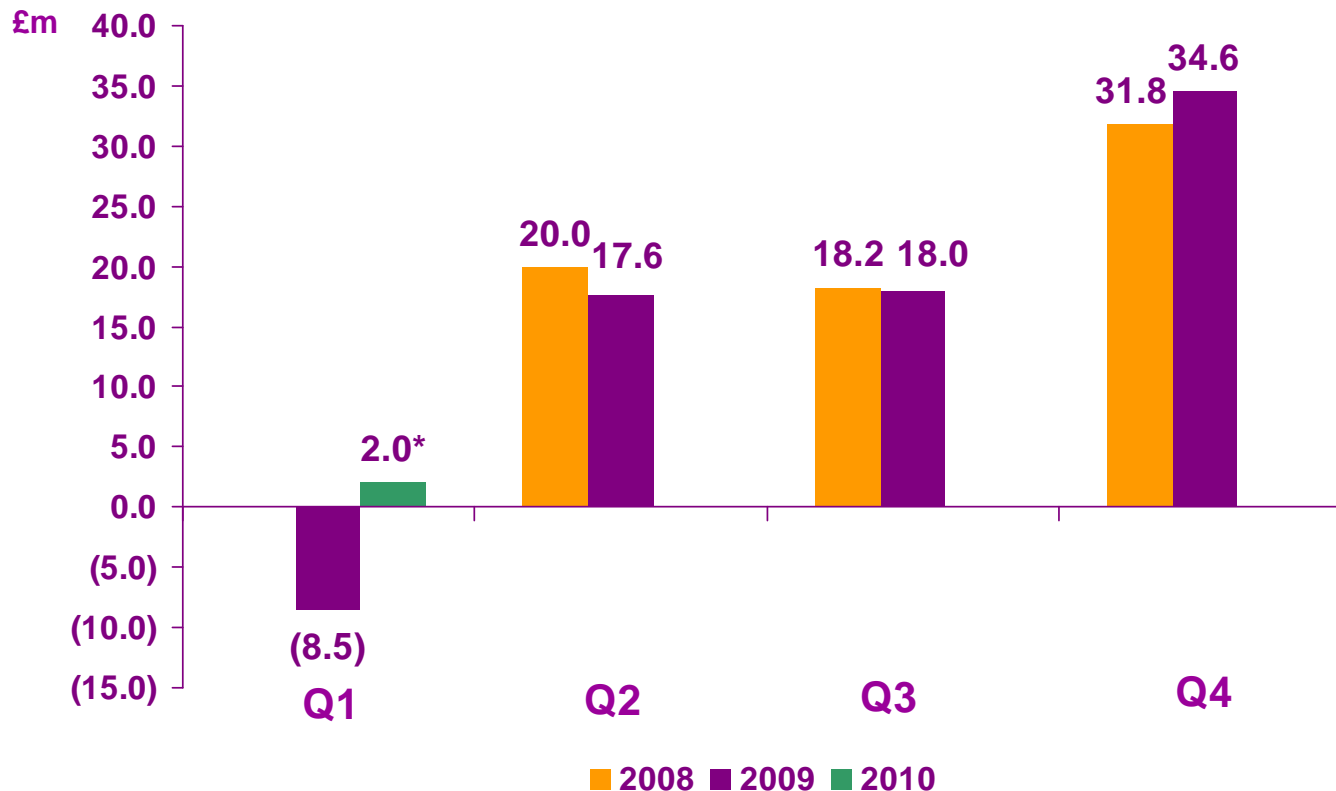
Managing through the downturn





Strong recovery in profitability

Profit before tax from continuing operations



* Excludes £2.8 million credit on curtailment of the IPF plc defined benefit pension scheme.



A good start to 2010

Q1 2010

- Group pre-tax profit of £2.0 million
- Credit issued up 11% year on year
- Poland, Czech and Slovakia profit up by 11% over prior year
- Hungary close to break even – on track to make profit in 2010
- Mexico good progress continues – profitable in Q1
- Romania broke even and on track for 2010 profit

April 2010

- Trading in April ahead of plan
- Central Europe benefiting from improving collections performance and reduced impairment as the impact of the adverse weather conditions begins to reverse



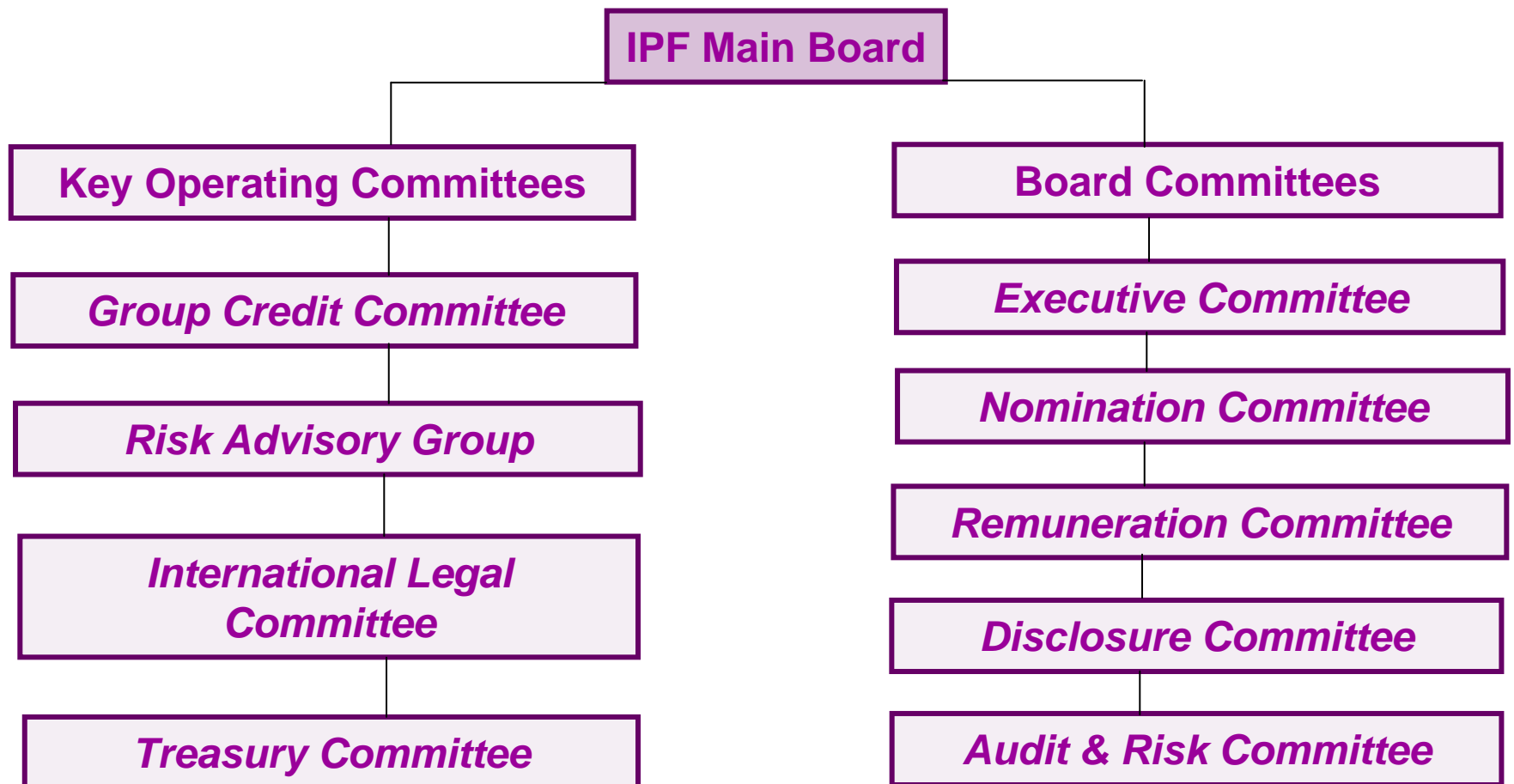
International
Personal Finance

The human face of finance

Effective risk management systems



Corporate governance





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 any 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 reflects current performance**
- **Short-term loans and prudent provisioning means impairment charged to income statement quickly**



Regulation

- **EU Consumer Credit Directive to be implemented in 2010**
- **Rate cap debate in Czech Republic and Mexico**
- **Change to rate cap legislation in Slovakia**
- **Introduction of specific lending rules in Hungary**
- **Review of rebating practices in Poland**
- **Monitoring closely and well prepared**



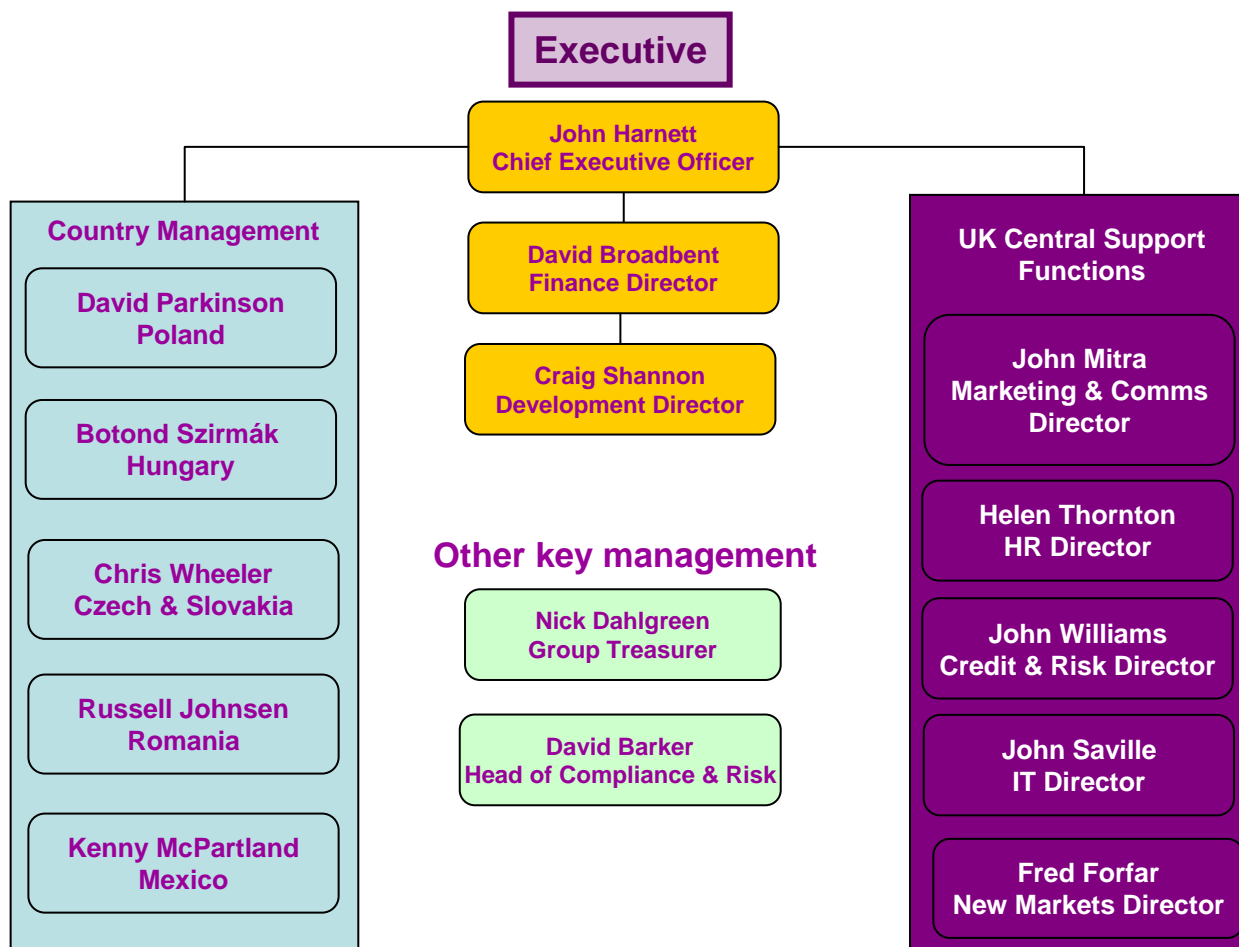
International
Personal Finance

The human face of finance

An experienced management team



An experienced, well-balanced management team





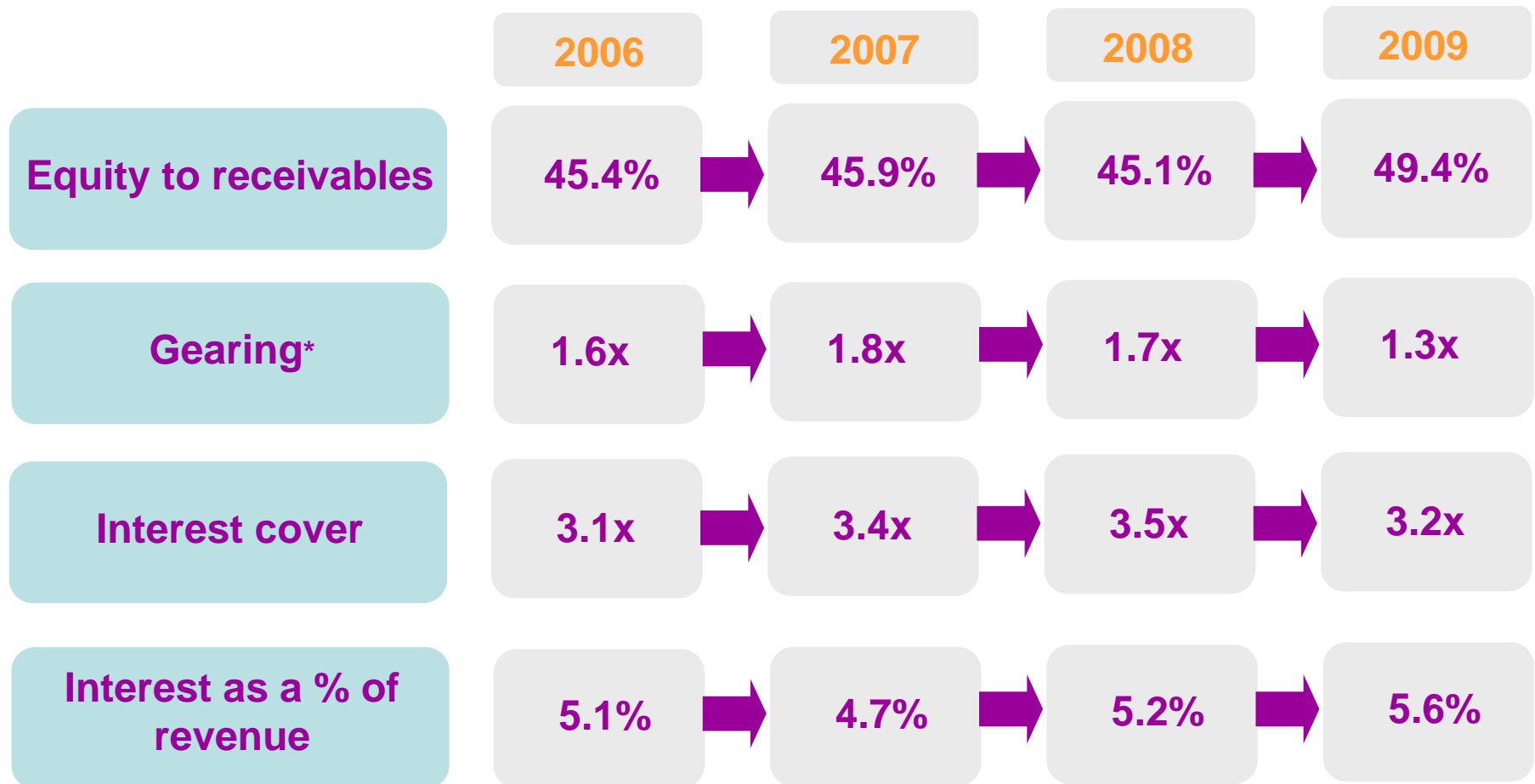
International
Personal Finance

The human face of finance

Strong financial profile



Key performance indicators

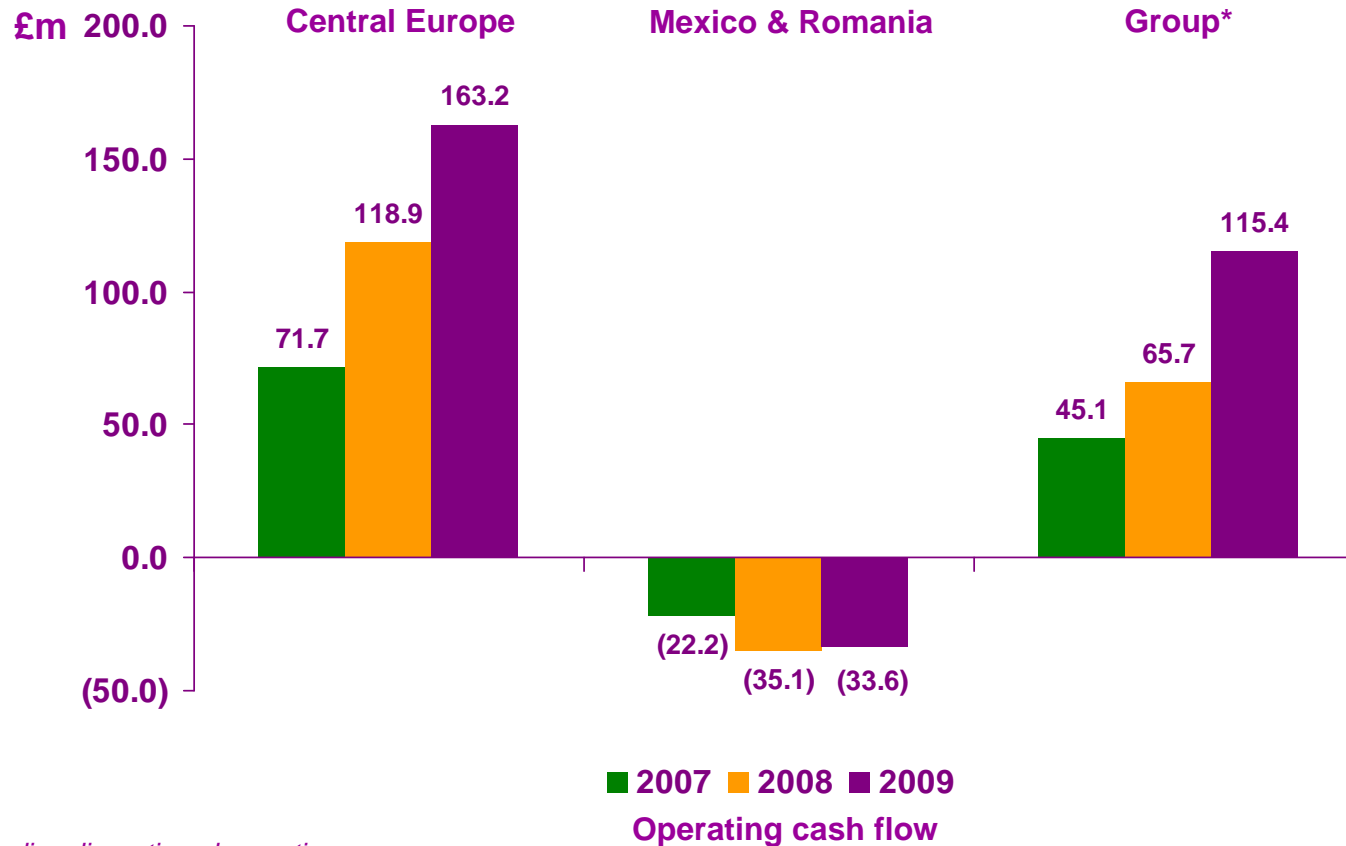


*Calculated as borrowings/equity



Strong cash generation

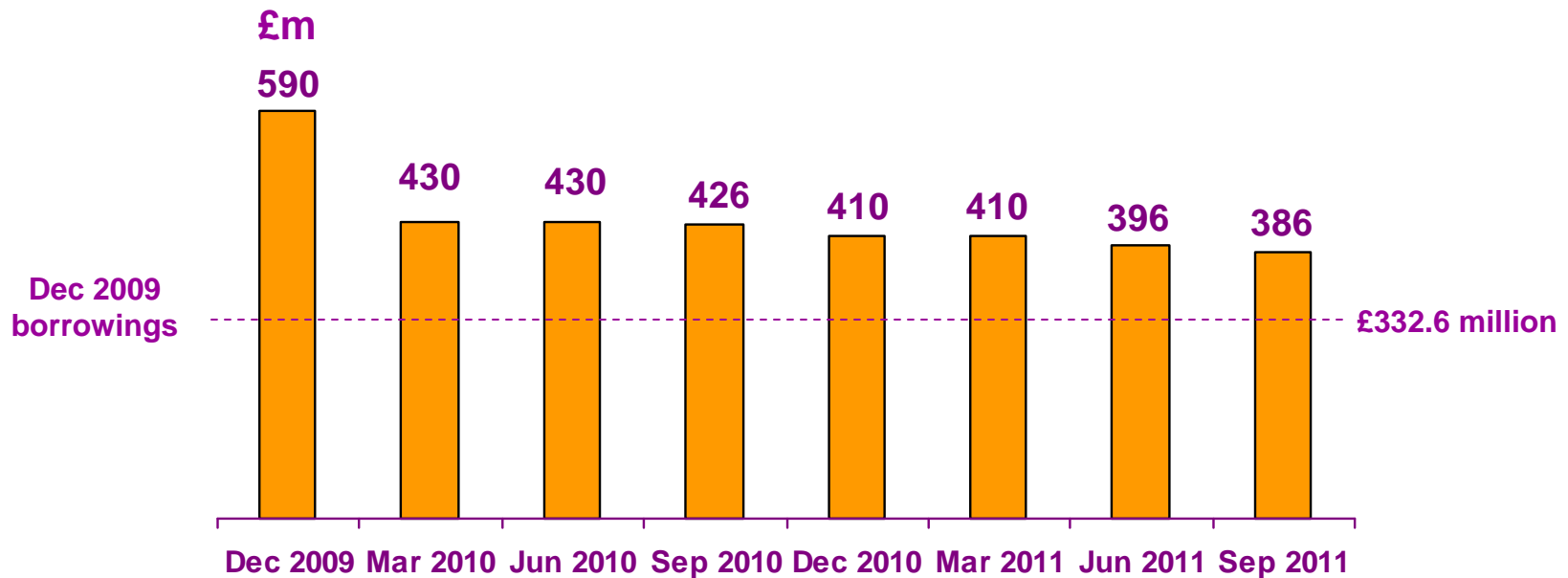
Cash flow



*Including discontinued operations



Sufficient funding to October 2011





Good headroom on bank covenants

	Dec 2009	Covenant	Headroom
Interest cover	3.2x	2x min	£36m (pre-tax profit)
Net worth*	£275m	£125m min	£150m (net worth)
Receivables : borrowings	1.6x	1.1x min	£145m (borrowings)
Gearing*	1.2x	3.75x max	£187m (net worth)

* Adjusted for derivatives and pension liabilities



International
Personal Finance

The human face of finance

**Good profitable growth
prospects**

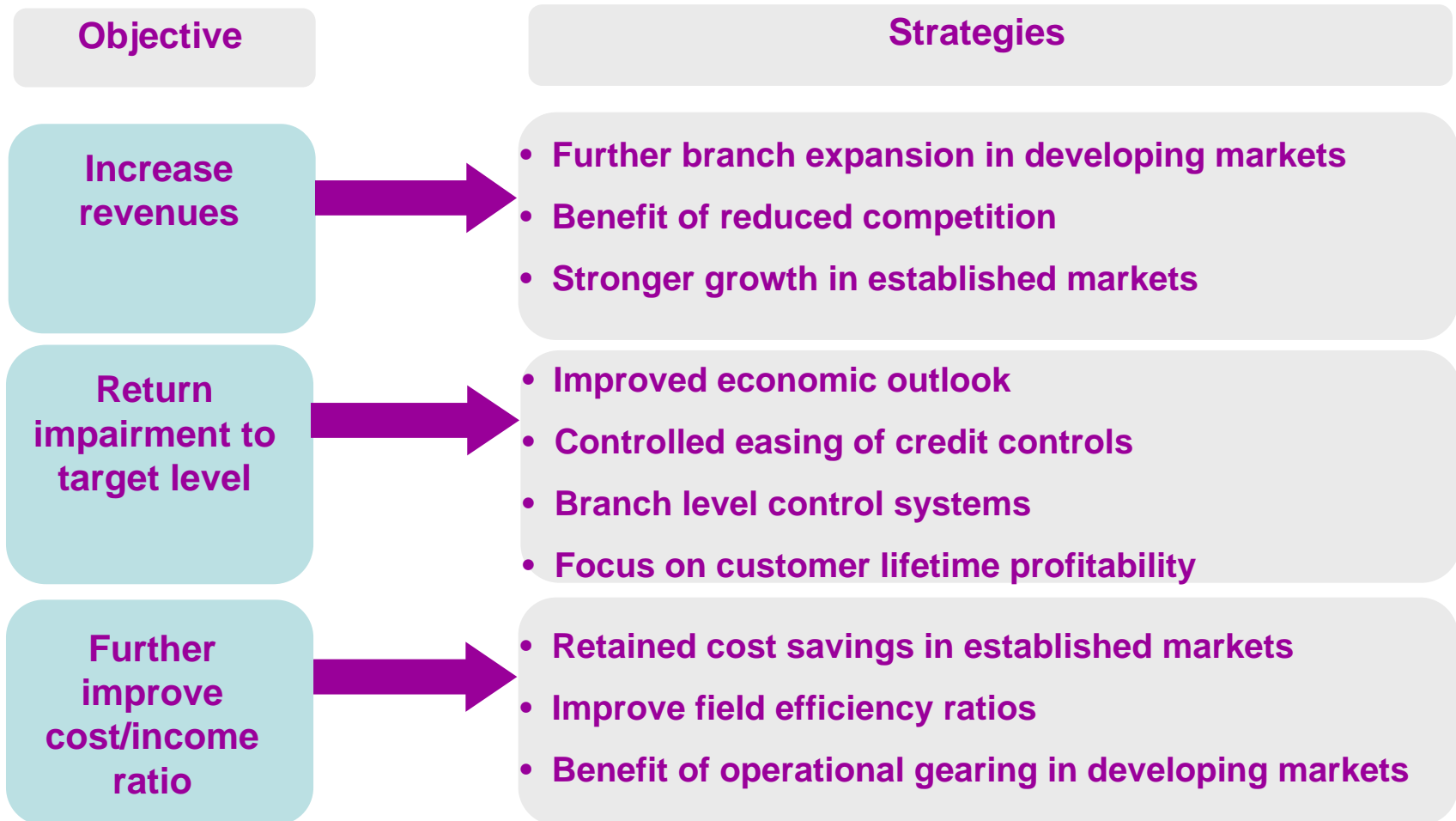


Significant growth opportunities

- **Established markets**
 - improved economic outlook
 - less competition
 - good credit quality
- **Developing markets**
 - same factors, coupled with further geographic expansion
- **New markets**
 - although no immediate plans
- **Barriers to entry in place**

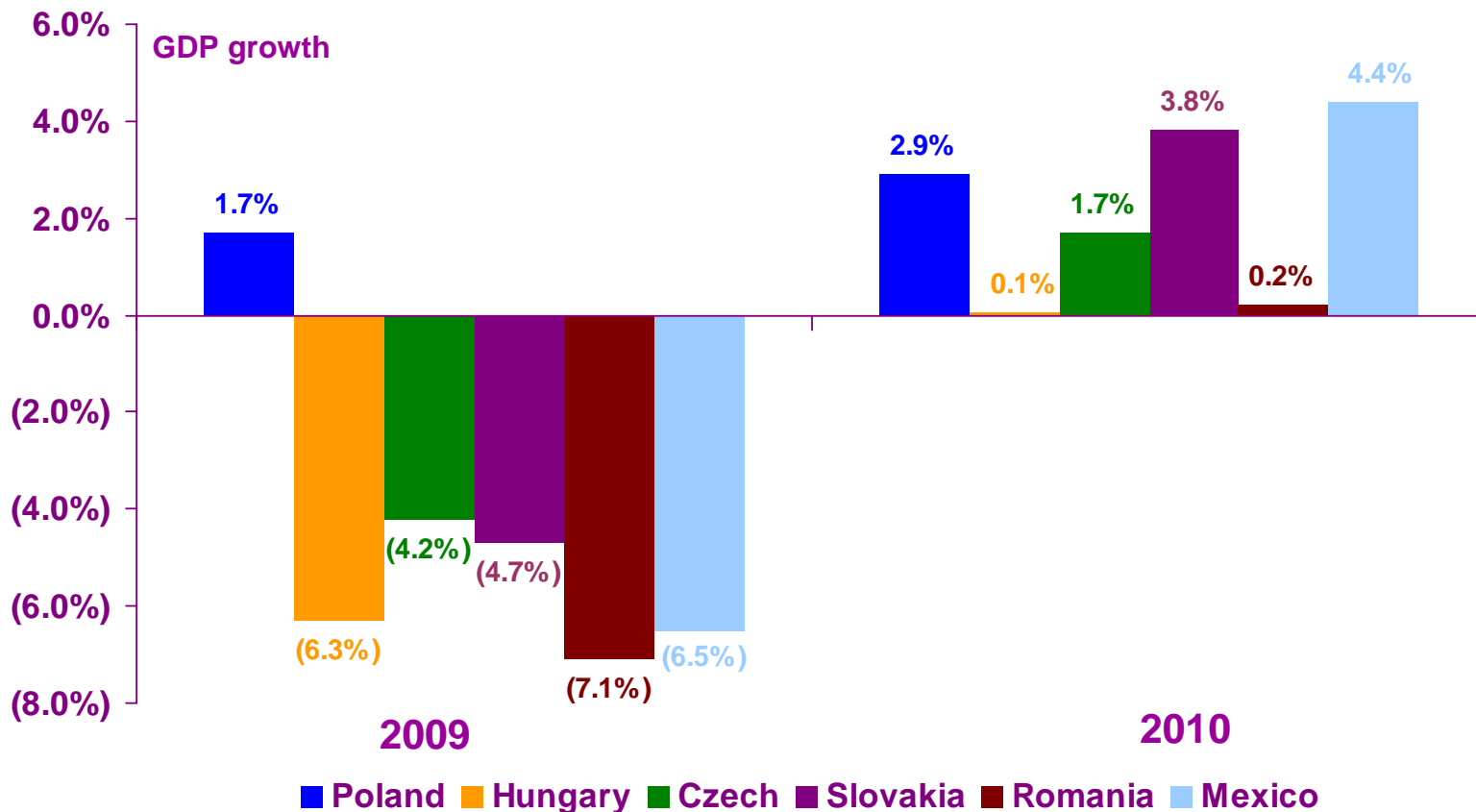


Managing through the upturn





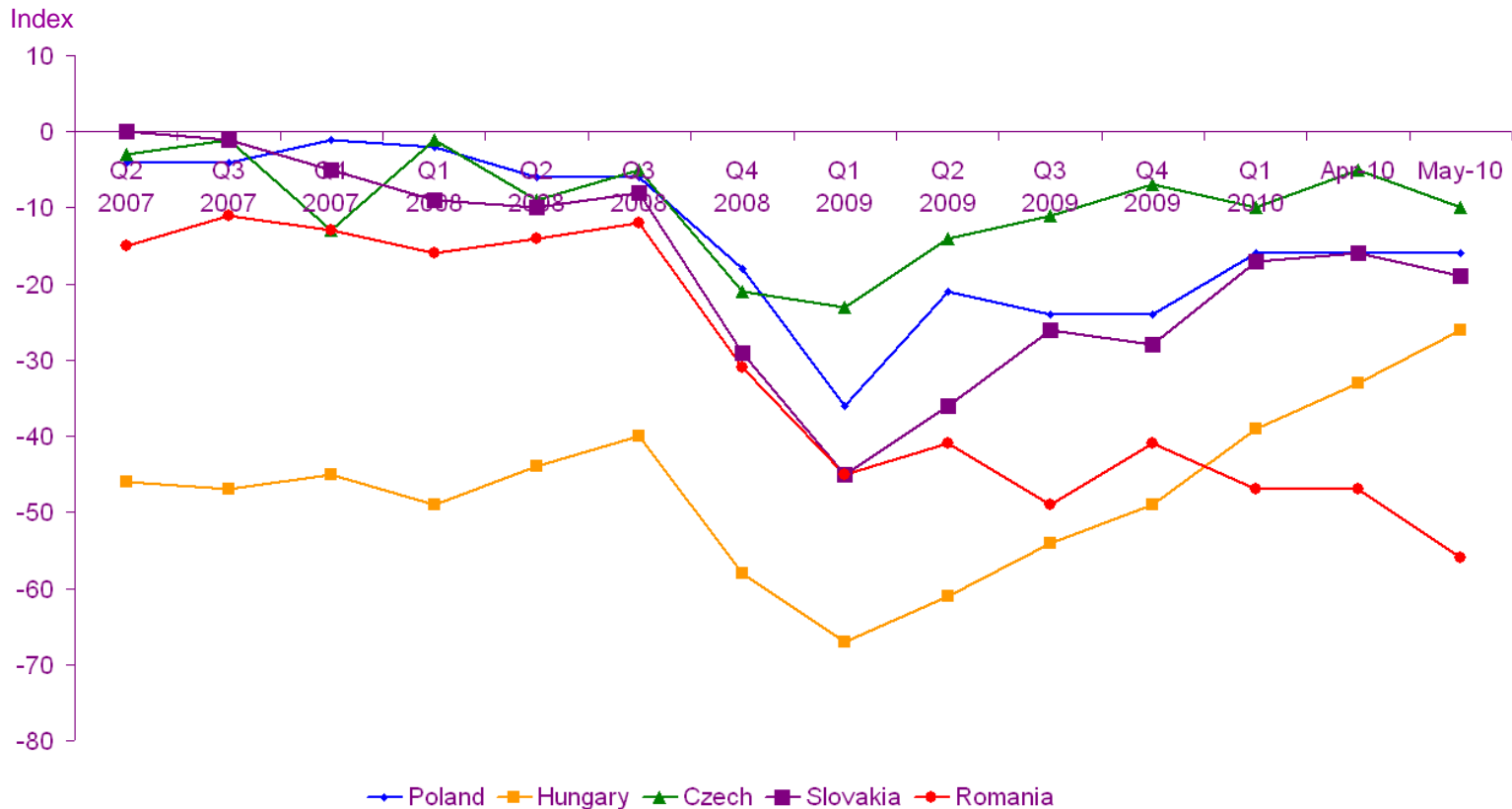
Improving economic outlook



Source: Citibank / Reuters (2009 actual data / 2010 estimate)



Consumer confidence



Source: EU Consumer Confidence Indicator



Mexico expansion plans

- Third region opened in early 2010 in Monterrey
- Further branch openings planned in Puebla and Guadalajara regions
- Target of 30 branches per region at maturity



Region	Current branches	Planned openings
Puebla	23	3
Guadalajara	16	5
Monterrey	-	4
Total	39	12



International
Personal Finance

The human face of finance

Summary



A robust investment proposition

- ▶ A resilient business model
- ▶ Effective risk management systems
- ▶ Experienced management team
- ▶ Strong financial profile
- ▶ Good profitable growth prospects



International
Personal Finance

The human face of finance

Appendices



Appendices

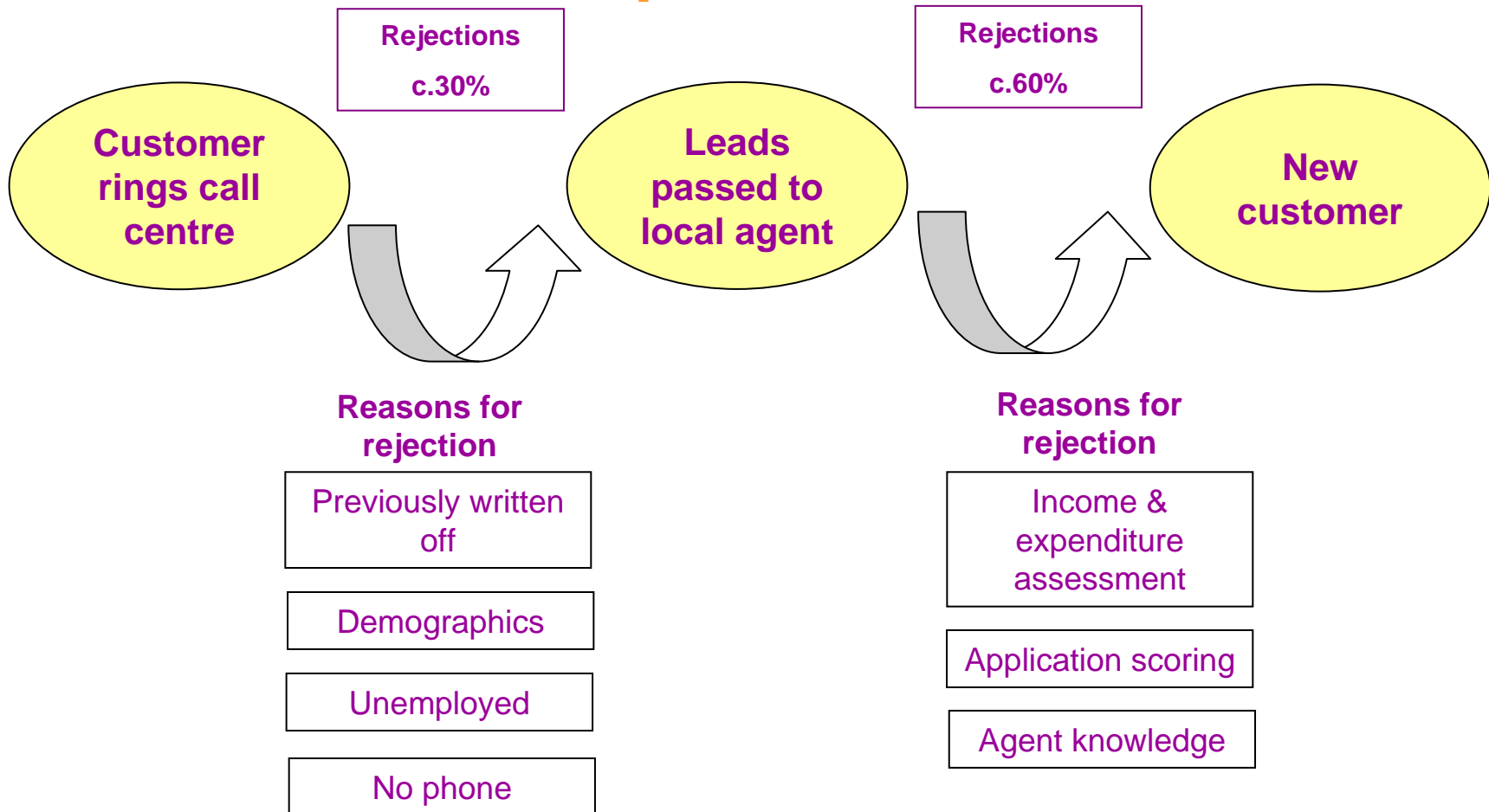
Markets in which we operate

	Year Entered	European Union member?	Fitch Rating	Population ('m)	Customer numbers ('000) (2009)
Poland	1997	✓	A-	38.1	758
Czech Republic	1997	✓	A+	10.5	260
Hungary	2001	✓	BBB	10.0	227
Slovakia	2001	✓	A+	5.4	123
Mexico	2003	✗	BBB	106.4	524
Romania	2006	✓	BB+	21.3	164



Appendices

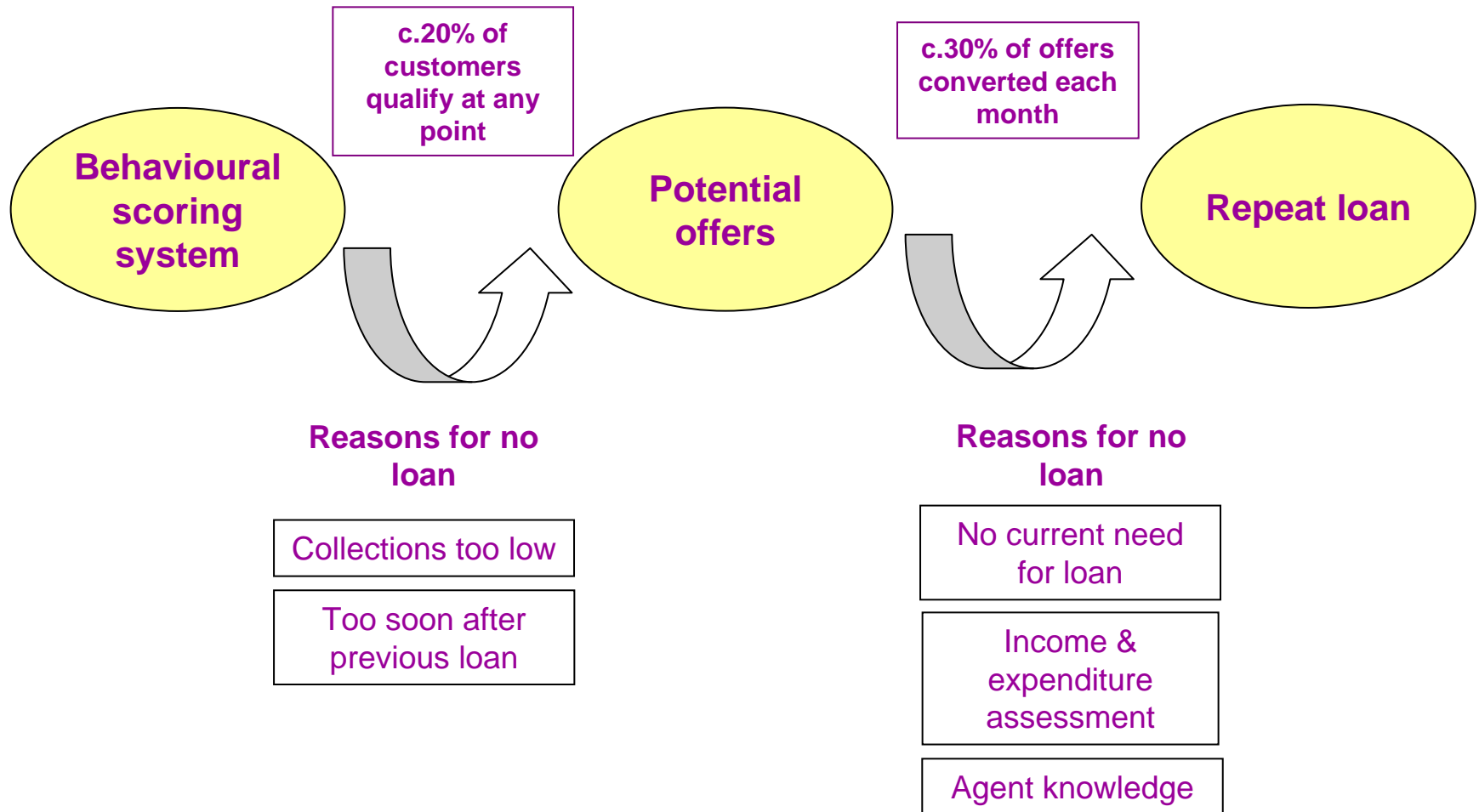
A selective credit process for new customers





Appendices

A selective credit process for repeat lending





Appendices

Group: profit before tax

Year ended 31 December

	2009 £m	2008 £m	Change £m	Change %	Change CER %
Revenue	550.2	557.1	(6.9)	(1.2)	1.2
Impairment	(164.3)	(127.2)	(37.1)	(29.2)	(30.6)
Agents' commission	(64.0)	(72.0)	8.0	11.1	8.8
Other costs	(229.3)	(252.5)	23.2	9.2	4.7
Finance costs	(30.9)	(29.1)	(1.8)	(6.2)	(5.1)
Profit before tax*	61.7	76.3	(14.6)	(19.1)	
Taxation	(16.1)	(21.2)	5.1	24.1	
Profit after tax*	45.6	55.1	(9.5)	(17.2)	
Earnings per share (pence)*	17.78	21.48		(17.2)	

*From continuing operations



Appendices

Profit before tax: segmental split

Year ended 31 December

	2009 £m	2008 £m	Change £m	Change %
<i>Hungary</i>	(7.2)	16.1	(23.3)	(144.7)
<i>Central Europe excluding Hungary</i>	83.7	89.9	(6.2)	(6.9)
Central European markets	76.5	106.0	(29.5)	(27.8)
Central costs	(12.7)	(13.2)	0.5	3.8
Net profit from established markets	63.8	92.8	(29.0)	(31.3)
Mexico	0.3	(8.7)	9.0	103.4
Romania	(2.4)	(7.8)	5.4	69.2
Net investment in developing markets	(2.1)	(16.5)	14.4	87.3
Profit before tax*	61.7	76.3	(14.6)	(19.1)

*From continuing operations



Appendices

Balance sheet: well capitalised

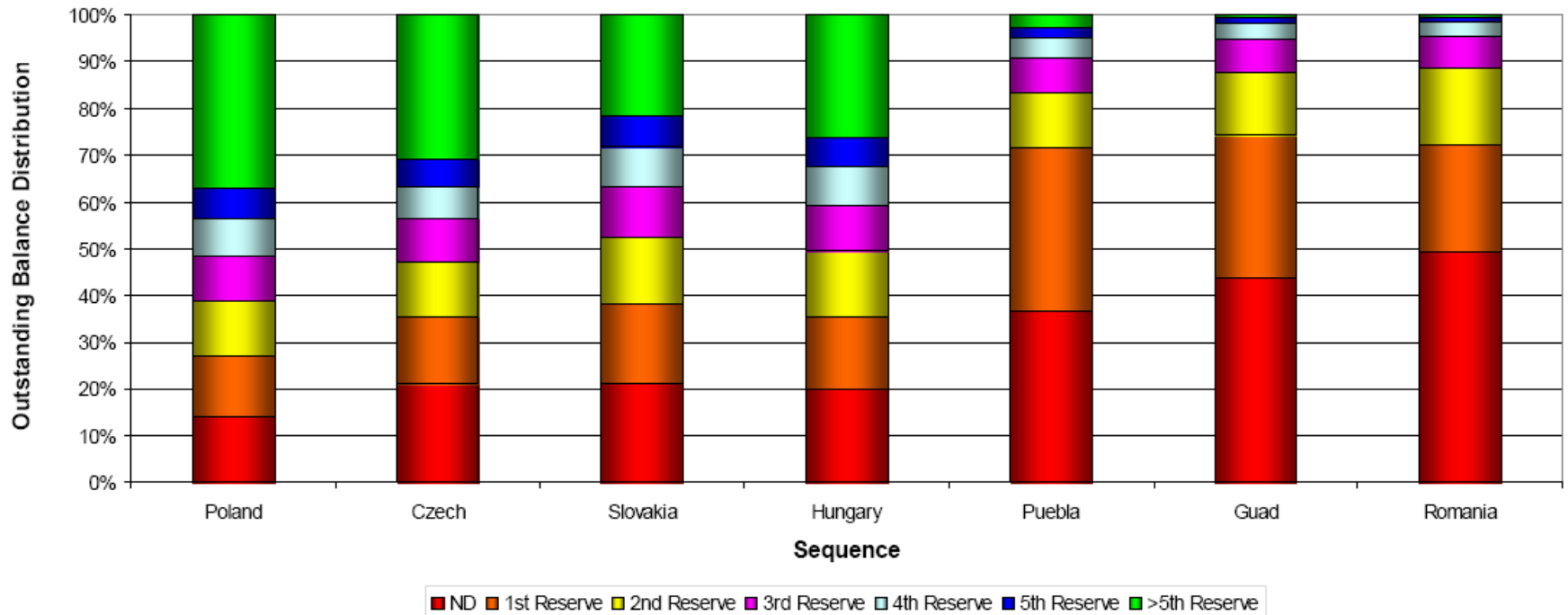
	Dec 2009 £m	Dec 2008 £m	Change %	Change at CER %
Fixed assets	50.9	69.9	(27.2)	(23.6)
Receivables	525.6	574.4	(8.5)	(1.5)
Cash	31.2	62.2	(49.8)	(46.6)
Borrowings	(332.6)	(434.3)	23.4	18.3
Other net liabilities	(15.3)	(13.4)	(14.4)	(41.9)
Equity	259.8	258.8	0.4	7.9
Equity to receivables	49.4%	45.1%		
Gearing*	1.3x	1.7x		

*Calculated as borrowings/equity



Appendices

Profile of receivables varies depending on maturity of business



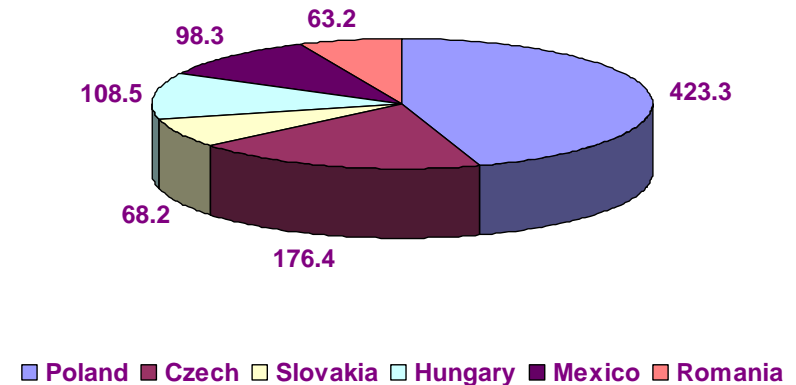


Appendices

Receivables book

	Dec 2006 £m	Dec 2007 £m	Dec 2008 £m	Dec 2009 £m
Gross receivables	611.7	796.0	1,051.4	937.9
Provision	(120.6)	(147.8)	(196.6)	(151.7)
Gross cash recoverable	490.9	648.1	854.9	786.2
Discount/ Deferred revenue	(169.5)	(217.5)	(309.8)	(298.2)
Net customer receivables	321.4	430.6	545.1	488.0
Net as % of Gross cash recoverable	65%	66%	64%	62%
Net as % of Gross receivables	53%	54%	52%	52%

Gross receivables by market
(Dec 2009 £m)





Appendices

Receivables book by age

At December 2009

Stage	<1 month £m	0-3 months £m	3-6 months £m	6-12 months £m	>12 months £m	Total £m
Gross receivables	165.4	182.8	220.1	185.6	184.0	937.9
Proportion of total	18%	19%	23%	20%	20%	100%
Net receivables	96.7	107.7	127.3	93.4	62.9	488.0



Appendices

Capital generation

	12 months to Dec 2009	12 months to Dec 2008
	£m	£m
Profit before tax: Central Europe	76.5	106.0
Taxation	(20.0)	(29.7)
Profit after tax	56.5	76.3
49% of movement in receivables (2008: 45%)	23.8	(5.3)
Capital available	80.3	71.0
Central support and corporate costs after tax	(9.4)	(9.5)
	70.9	61.5
New markets		
- loss after tax	(2.1)	(16.2)
- 49% of movement in receivables (2008: 45%)	(21.2)	(13.1)
	(23.3)	(29.3)
Surplus capital generated	47.6	32.2



Appendices

Cash generation: segmental split

Year ended 31 December

	2009 £m	2008 £m
<i>Hungary</i>	31.0	22.5
<i>Central Europe excluding Hungary</i>	132.2	96.4
Central European markets	163.2	118.9
Central costs	(7.5)	(13.4)
Established markets	155.7	105.5
Mexico	(15.8)	(15.5)
Romania	(17.8)	(19.6)
Developing markets	(33.6)	(35.1)
Total operating cash flows*	122.1	70.4

*From continuing operations



International
Personal Finance

The human face of finance

International Personal Finance

Number Three

Leeds City Office Park

Meadow Lane

Leeds LS11 5BD

T: +44 (0)113 285 6700

W: www.ipfin.co.uk