



**International
Personal Finance**

The human face of finance

International Personal Finance

Numis Mid-Cap Conference

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17 November 2011



International Personal Finance

- Face to-face consumer lending business
- Focused on emerging markets
- Countries: 6
- Customers: 2.3m
- Agents: 27,200
- Employees: 6,200
- 2010 pre-tax profit £92.1m*
- 2010 gross receivables £1,026m



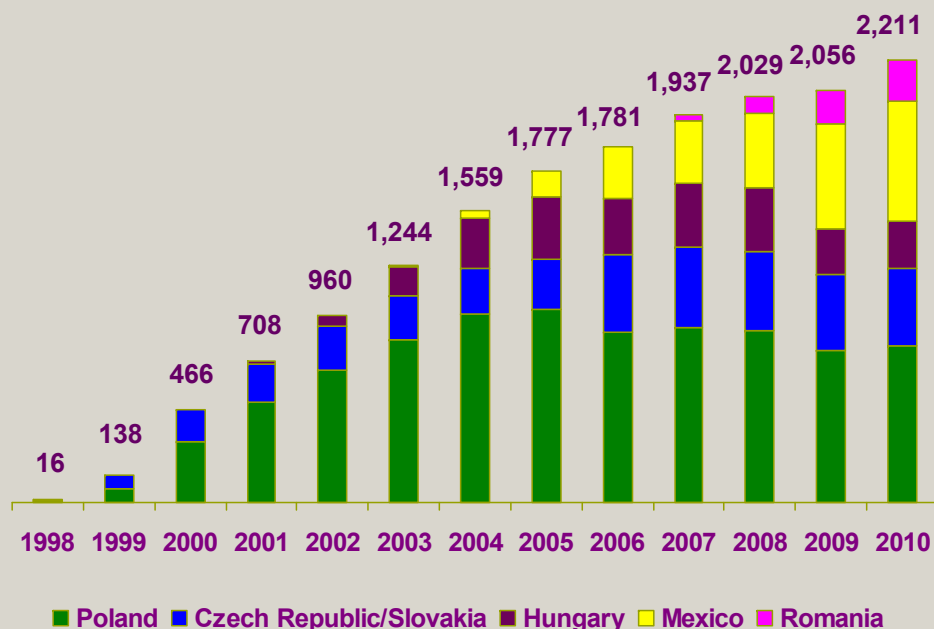
At 30 June 2011

* Stated before exceptional items.



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

* Includes Slovakia from 2001



A clear, consistent strategy

- ▶ **Optimise profitability of our established businesses**
- ▶ **Realise profit potential in our developing markets**
- ▶ **Enter new markets that offer good growth prospects**



A resilient business model

- Small sum, short-term unsecured loans in local currency
- Customers are employed or self-employed
- Low and grow strategy, starting customers on small sums
- Typically, 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



A resilient business model

Good profit margins

Revenue	100%
Agents' commission	11 - 12%
Impairment	25 - 30%
Interest	7%
Direct expenses	30 - 35%
Profit margin	c.20 - 25%

* Established market



A resilient business model

Prudent provisioning methodology

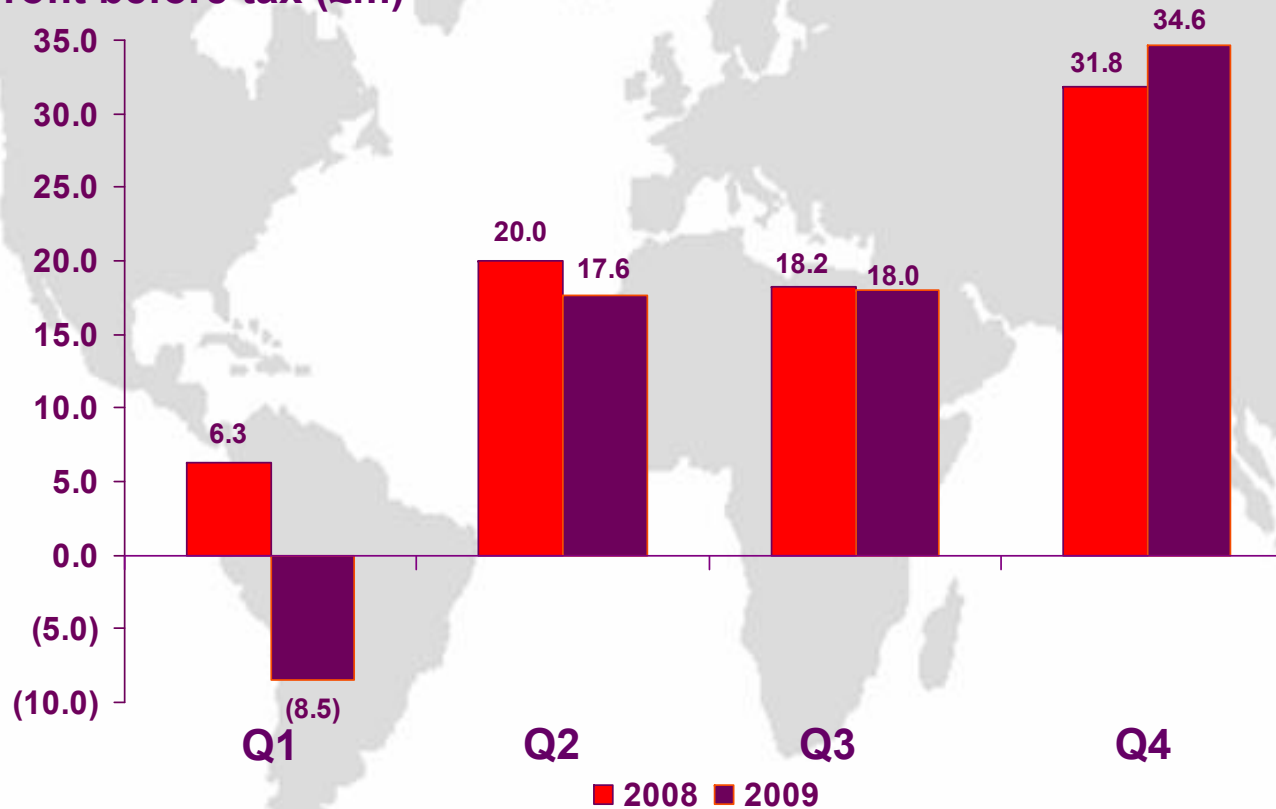
Assessment	<ul style="list-style-type: none">• Weekly
Impairment charge	<ul style="list-style-type: none">• In the event of any missed payment or portion of a payment even if agent fails to call• No re-ageing of 'poor' payers
Impairment calculated	<ul style="list-style-type: none">• Using third party developed actuarial models to estimate amount and timing of future cash flows
Provisioning models	<ul style="list-style-type: none">• Systematic, with no management intervention• Separate for each product in each country• Formally reviewed on a regular basis to ensure reflects current performance

Short-term loans and prudent provisioning means impairment charged to income statement quickly



A resilient business model A rapid recovery during recession

Profit before tax (£m)





Strong financial ratios

	2008	2009	2010	June 2011
Interest cover	3.5x	3.2x	3.8x	3.4x [▲]
Return on equity	21.9%	17.6%	21.9%*	22.3%* [▲]
Gearing	1.7x	1.3x	1.0x	0.9x
Equity to receivables	45.1%	49.4%	54.5%	56.2%

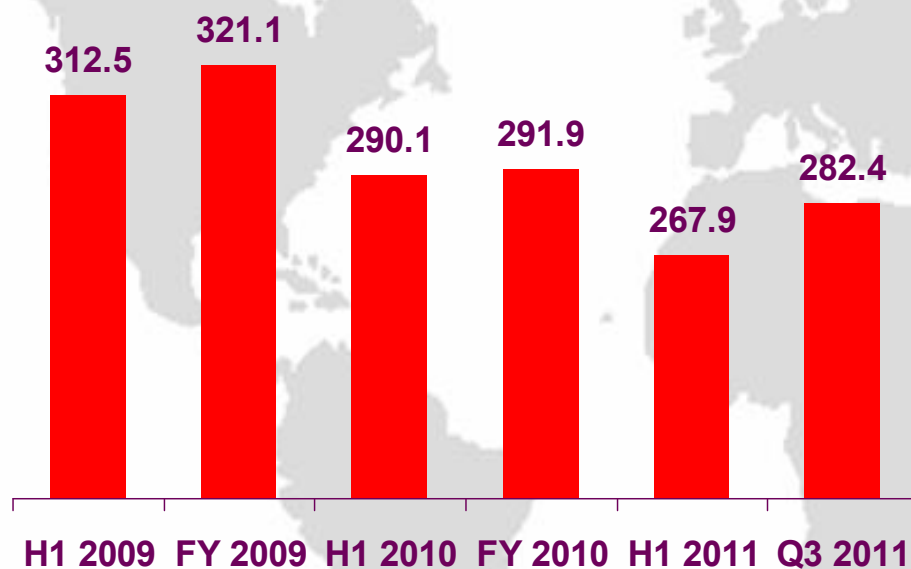
*Before exceptional items and fair value adjustments

▲ Annualised



Strong financial profile A cash generative business

Borrowings (at constant exchange rates) £m



Strong operating cash flow

Borrowings £282.4 million

Good headroom on bank covenants



Strong financial profile

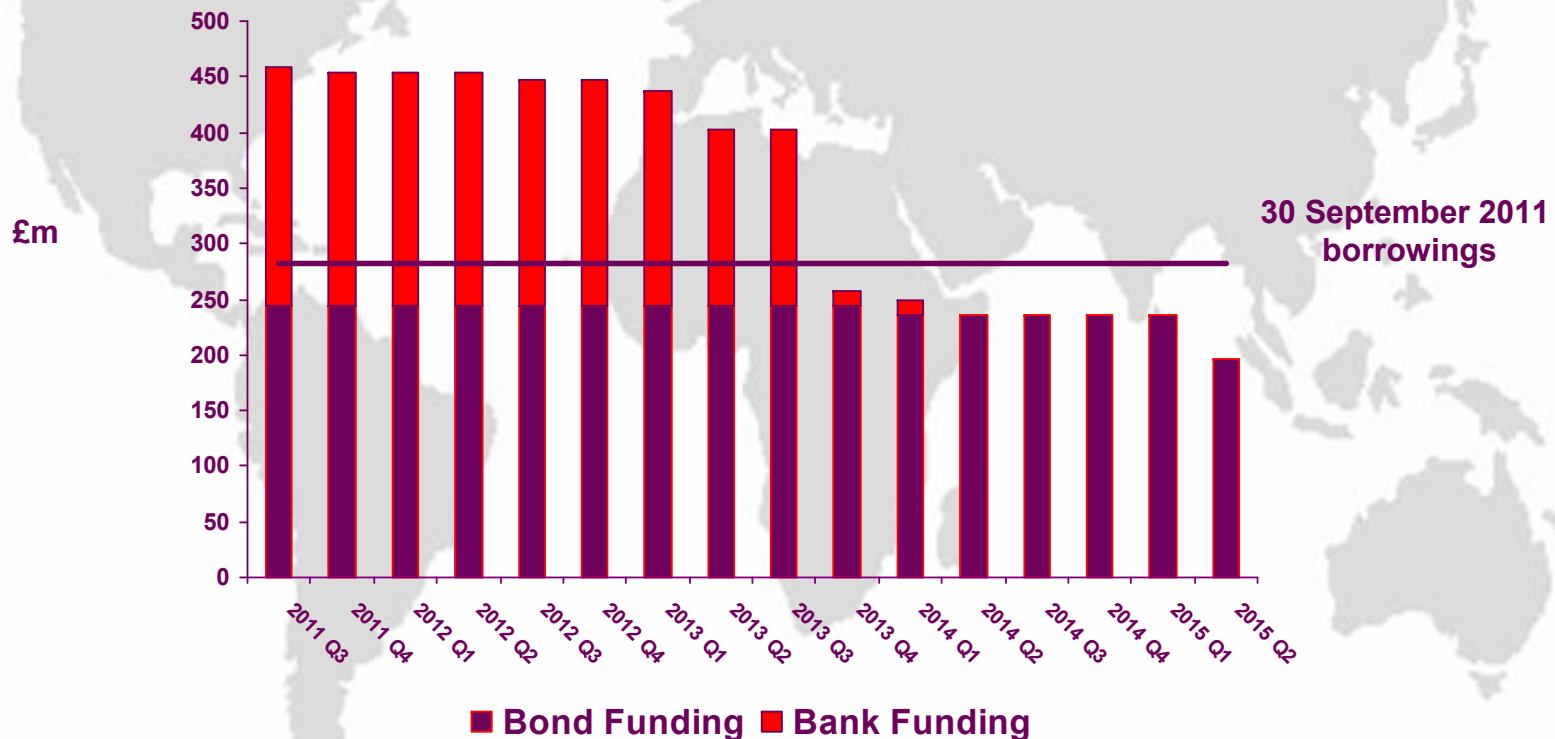
Balanced funding profile

	Maturity	£m
Bonds		
EMTN	August 2015	196
Polish bond	June 2015	40
Romanian bond	February 2014	7
Bank facilities		
3 year facilities	March 2013 – June 2014	204
1 year facilities	October 2011 – October 2012	22
Total		469



Strong financial profile Maturity profile of debt facilities

- Sufficient funding to support planned growth in existing and new markets through to November 2013



At 30 September 2011



Regulation

- High level of regulatory debate in Europe
- EU Consumer Credit Directive (CCD) implemented in Hungary, Slovakia, Romania and Czech Republic
- CCD to be implemented in Poland, December 2011
- Poland: Review of our current rebating practices. Expect new CCD early settlement rebates regime will address concerns
- Operating within rate caps in Hungary (2010), Slovakia (2008) and Poland (2006)
- EU Financial Services Tax
- Hungary reduced rate cap



Performed well in Q3, 2011

- Controlled growth across all markets:
 - Customers up 10%
 - Credit issued and average net receivables up 13%
- Profit before tax increased by 11% to £27.0 million
 - Revenue up 9%
 - Credit quality stable
 - Cost-income ratio improved to 40.6%
- Profit before tax for the nine months to September up 14% to £62.7 million
- Strong balance sheet reflecting cash generative business model



Outlook

- GDP growth slowing
- Consumer confidence trending down
- Consumer caution
- Growth slowing
- Well positioned to deal with uncertain economic outlook



Appendices



Appendices

Markets in which we operate

	Year Entered	European Union member?	Fitch Rating	Population (million)	Customer numbers ('000) Sept 2011
Poland	1997	✓	A-	38.1	813
Czech Republic	1997	✓	A+	10.5	392
Slovakia	2001	✓	A+	5.4	
Hungary	2001	✓	BBB-	10.0	
Mexico	2003	x	BBB	112.3	660
Romania	2006	✓	BBB-	22.2	235



Appendices

Profit before tax: Group Nine months ended 30 September 2011

	2011 £m	2010 £m	Change at CER %
Customer numbers ('000)	2,345	2,140	9.6
Credit issued	620.6	536.1	13.7
Average net receivables	578.9	513.3	10.5
Revenue	491.5	448.3	7.6
Impairment	(139.4)	(133.9)	(3.0)
Finance costs	(33.1)	(22.8)	(43.3)
Agents' commission	(54.9)	(49.7)	(7.4)
Other costs	(201.4)	(187.0)	(5.1)
Profit before taxation*	62.7	54.9*	

*2010 is stated before exceptional items



Appendices

Profit before tax: segmental split

	Q3 2011	Q3 2010	Change	YTD 2011	YTD 2010	Change
	£m	£m	%	£m	£m	%
Poland	17.1	15.5	10.3	41.9	29.5	42.0
Czech-Slovakia	9.5	9.3	2.2	26.8	29.7	(9.8)
Hungary	3.2	2.6	23.1	4.9	4.1	19.5
Mexico	0.5	0.5	-	(1.6)	1.2	(233.3)
Romania	1.1	0.2	450.0	1.6	0.4	300.0
UK central costs	(4.4)	(3.7)	(18.9)	(10.9)	(10.0)	(9.0)
Profit / (loss) before tax	27.0	24.4*	10.7	62.7	54.9*	14.2

*2010 is stated before exceptional items



Appendices

Balance sheet

	June 2011	Dec 2010	Change at	June 2010	Change at
	£m	£m	CER %	£m	CER %
Fixed assets	40.1	42.5	(8.0)	44.1	(15.8)
Receivables	597.2	566.9	1.8	474.0	11.7
Cash	26.1	23.5	7.9	29.9	(22.6)
Borrowings	(287.4)	(304.3)	8.5	(281.2)	6.2
Other net liabilities	(40.5)	(19.6)	(108.8)	(15.6)	(193.5)
Equity	335.5	309.0	4.5	251.2	13.7



Appendices

Headroom on bank covenants

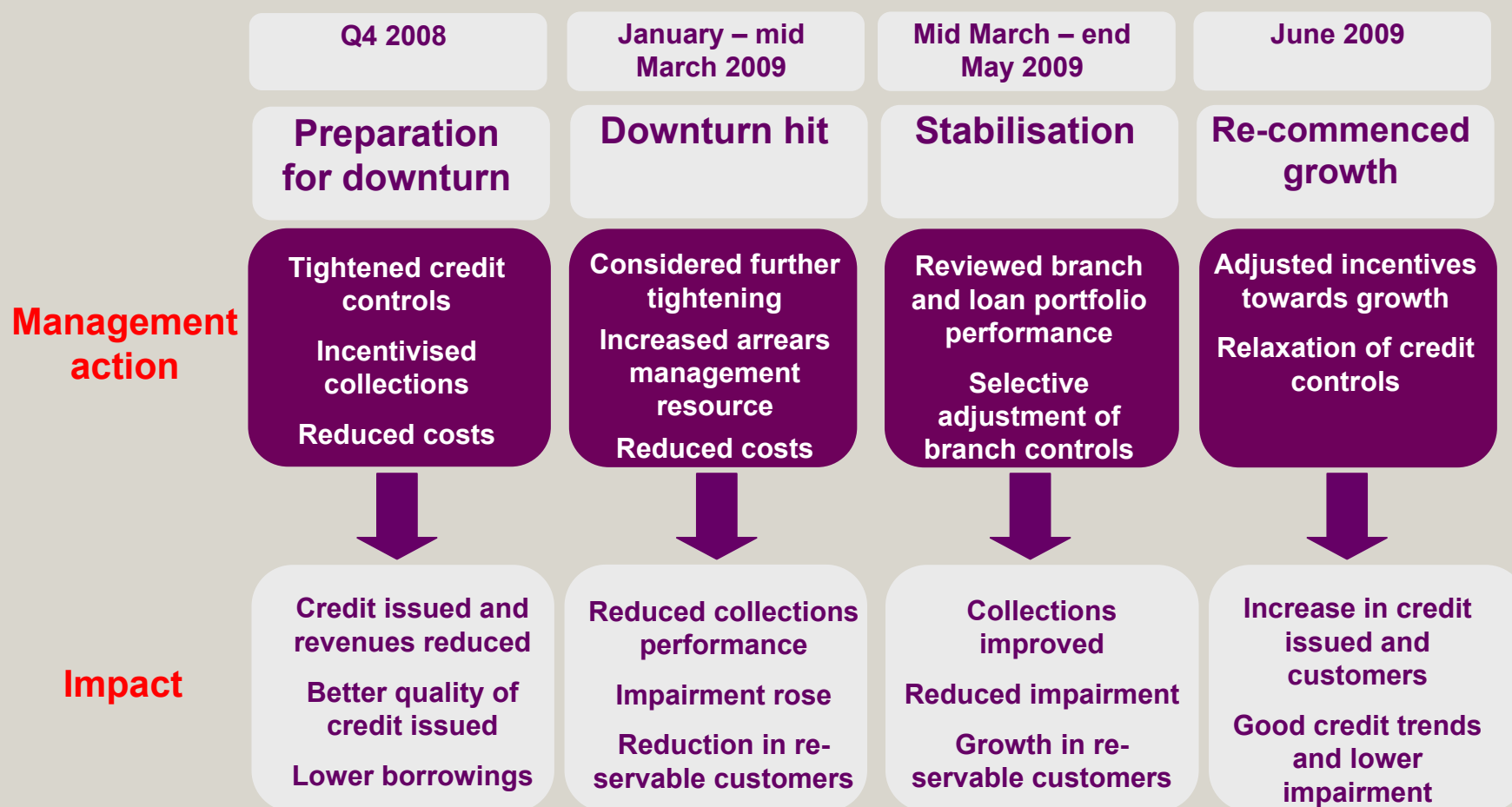
	June 2011	Covenant	Headroom
Interest cover	3.4x	2x min	£58.4m (pre-tax profit)
Net worth*	£348.1m	£125m min	£223.1m (net worth)
Receivables: borrowings	2.1x	1.1x min	£255.5m (borrowings)
Gearing*	0.8x	3.75x max	£271.5m (net worth)

* Adjusted for derivatives and pension liabilities.



Appendices

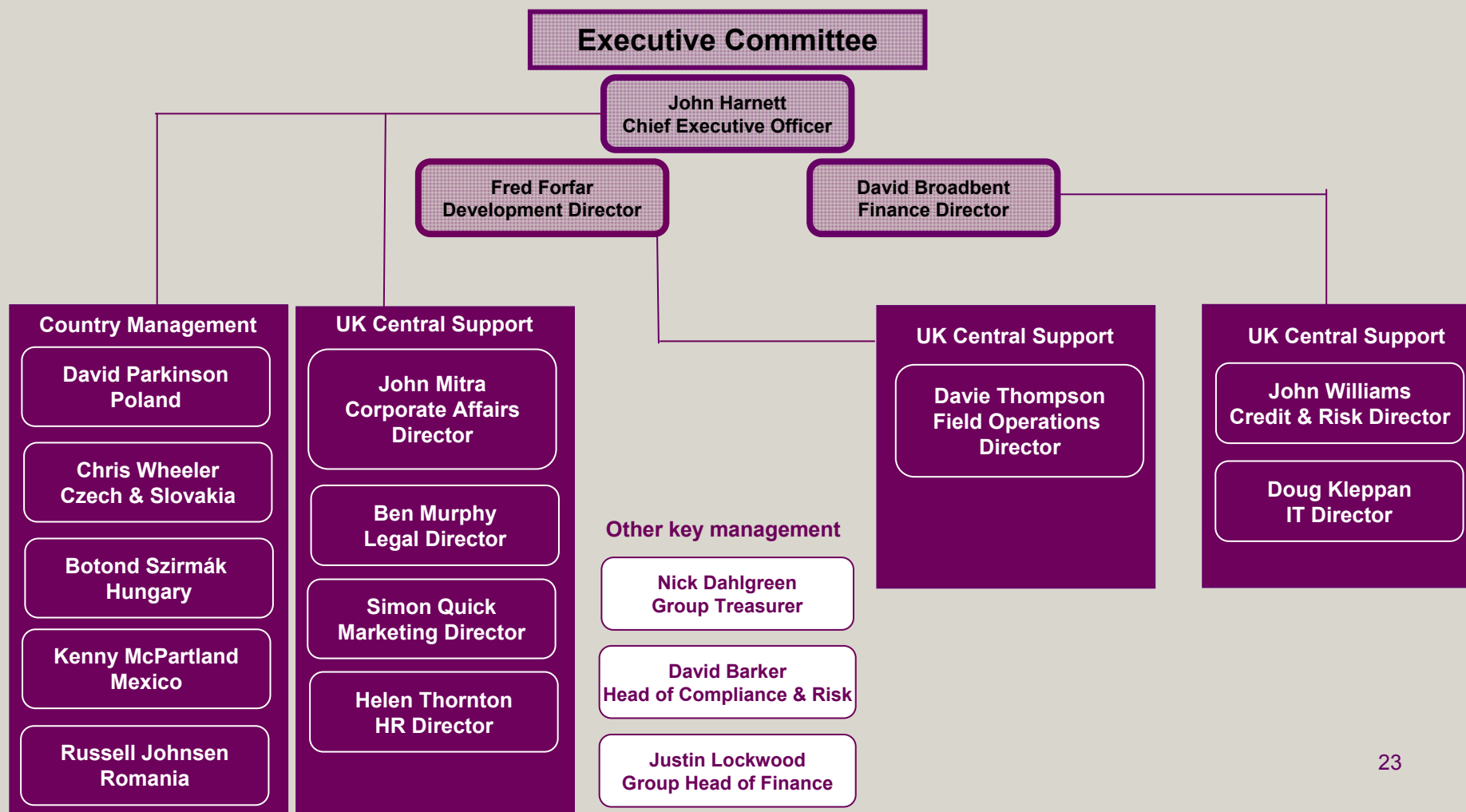
Our approach to managing through the 2009 downturn





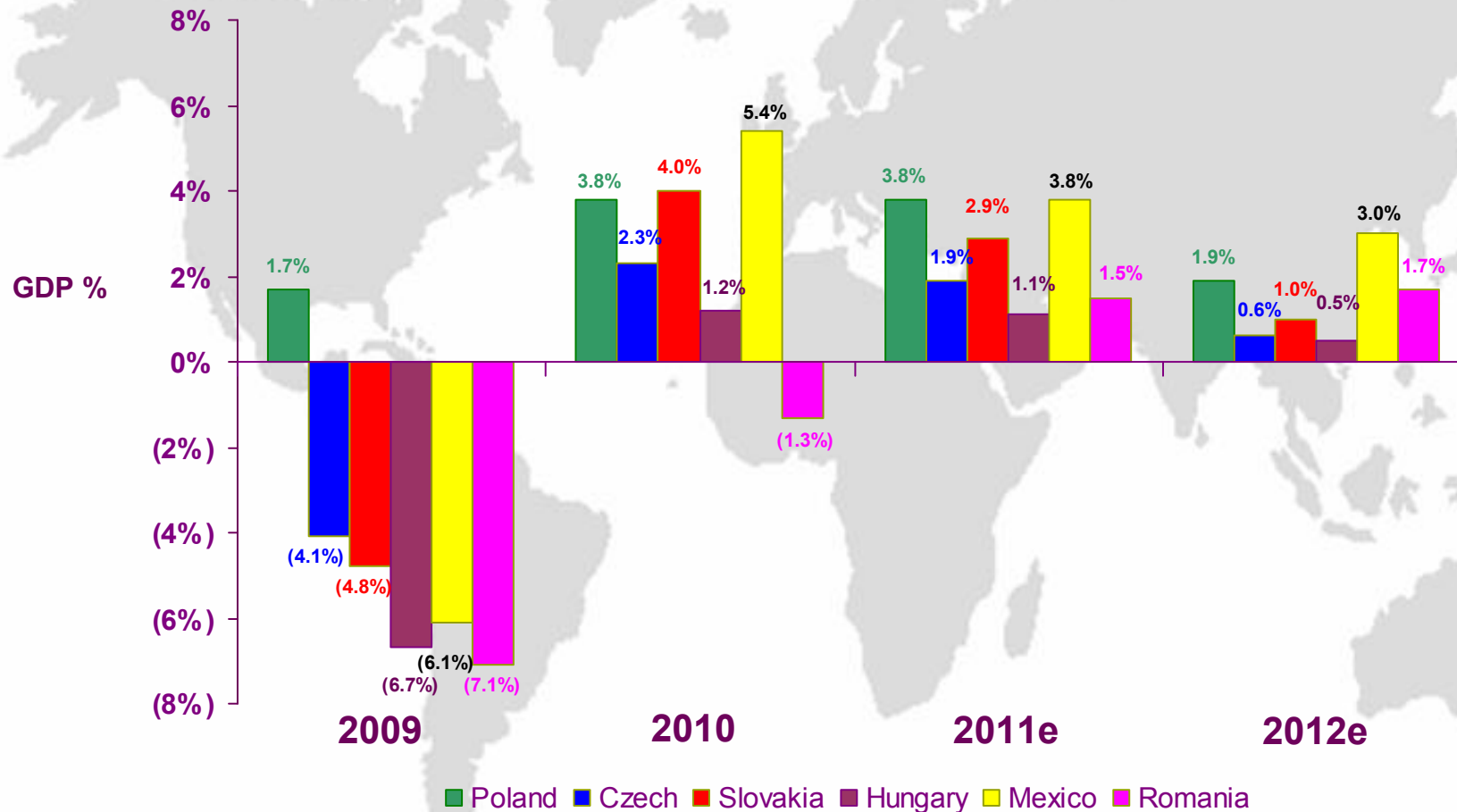
Appendices

An experienced management team





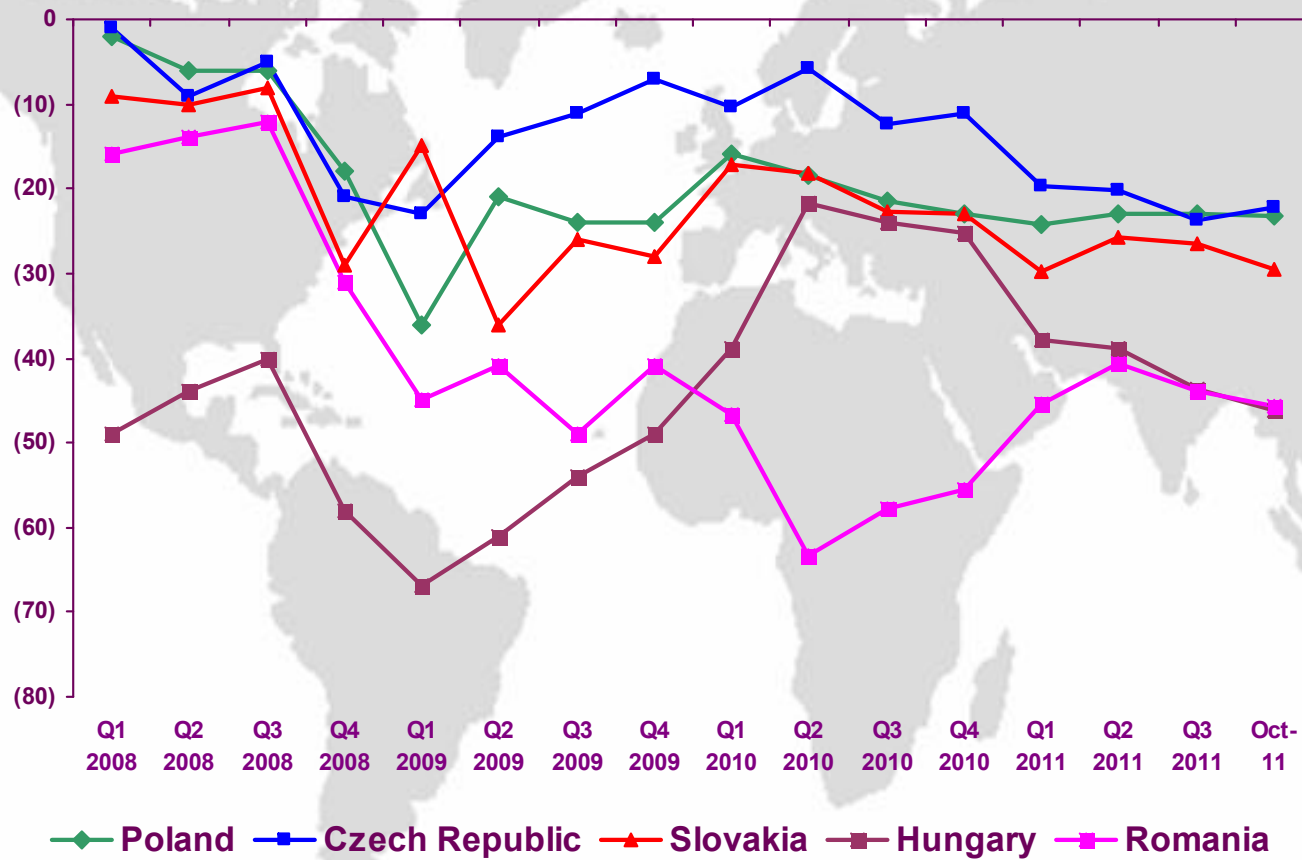
Economic overview GDP growth



Source: Citibank, October 2011



Economic overview Consumer confidence

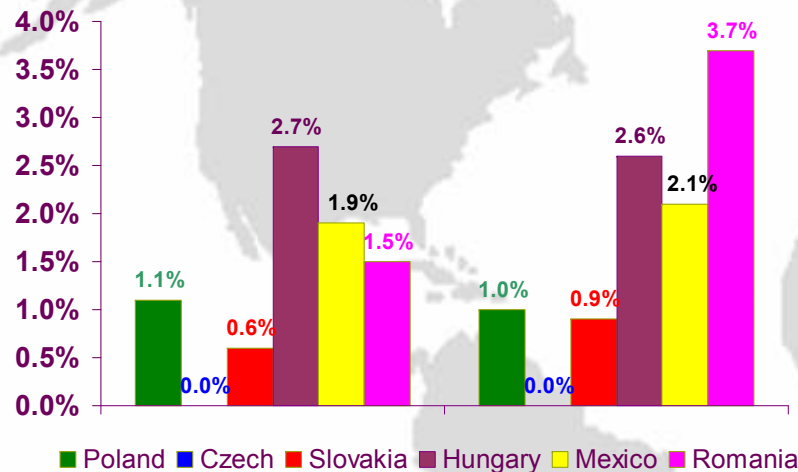


Source: EU Consumer Confidence Indicator



Appendices Economic overview

Employment

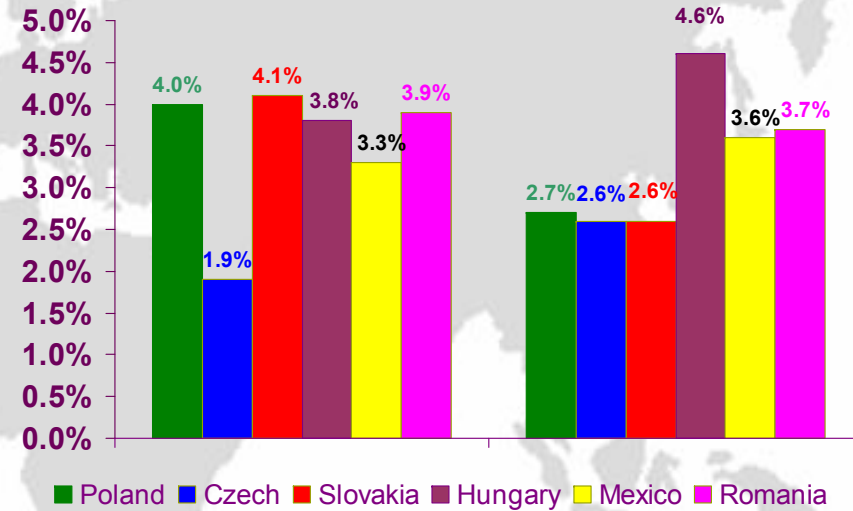


Year-on-year change

2011e

2012e

Inflation



Year-on-year change

2011e

2012e

Sources: Employment - EU European Economic Forecasts, May 2011. Mexico - Euromonitor.

Inflation - Citibank, October 2011



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