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International Personal Finance

2012 Interim Results
24 July 2012

Gerard Ryan – Chief Executive Officer
David Broadbent – Finance Director

Agenda

- Highlights
- Performance and financial review
- Strategy for Growth
- Q&A

Highlights

- Strong underlying trading performance
- Mexican business making rapid progress, both credit issued and profitability
- Senior management team and UK head office restructured
- Bank refinancing completed successfully
- £25M share buy-back programme
- Interim dividend increased by 7.5%
- Clear strategy for accelerating growth articulated and being embedded

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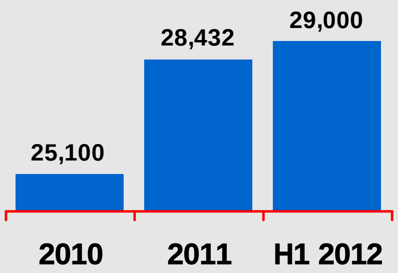
Performance and financial review

David Broadbent
Finance Director

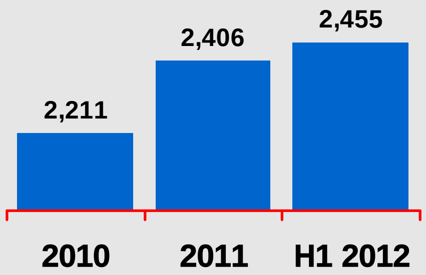
Good growth

Agents



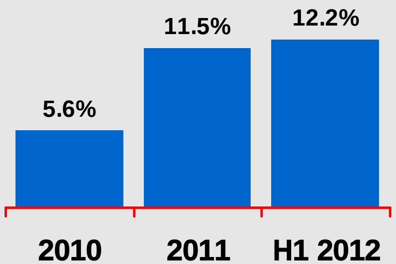
- 7% year-on-year growth
- Agent turnover reduced from 60% to 58%

Customers



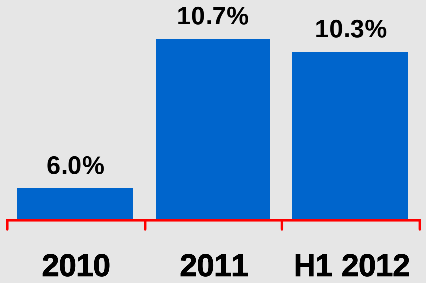
- Growth in all markets
- 7% year-on-year growth

Credit issued (at CER)



- 12% growth alongside stable credit quality
- Strong performance by Mexico

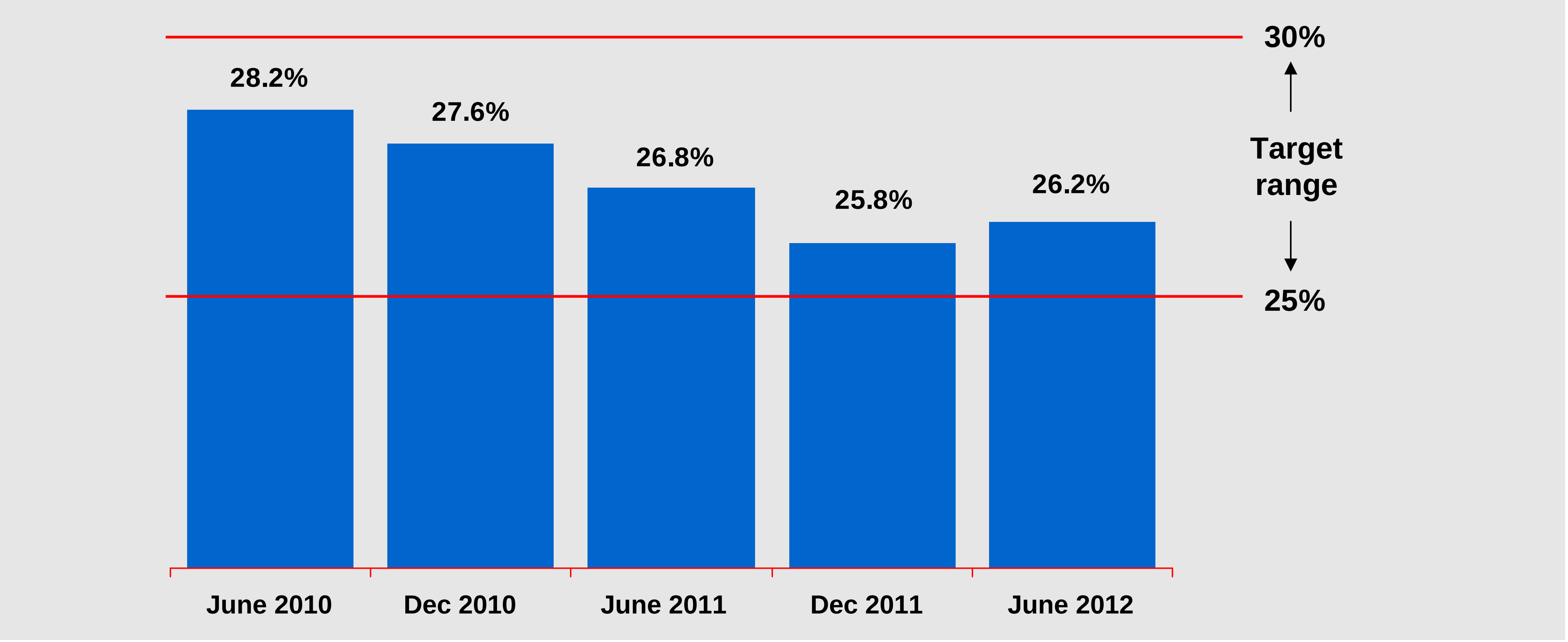
Average receivables (at CER)



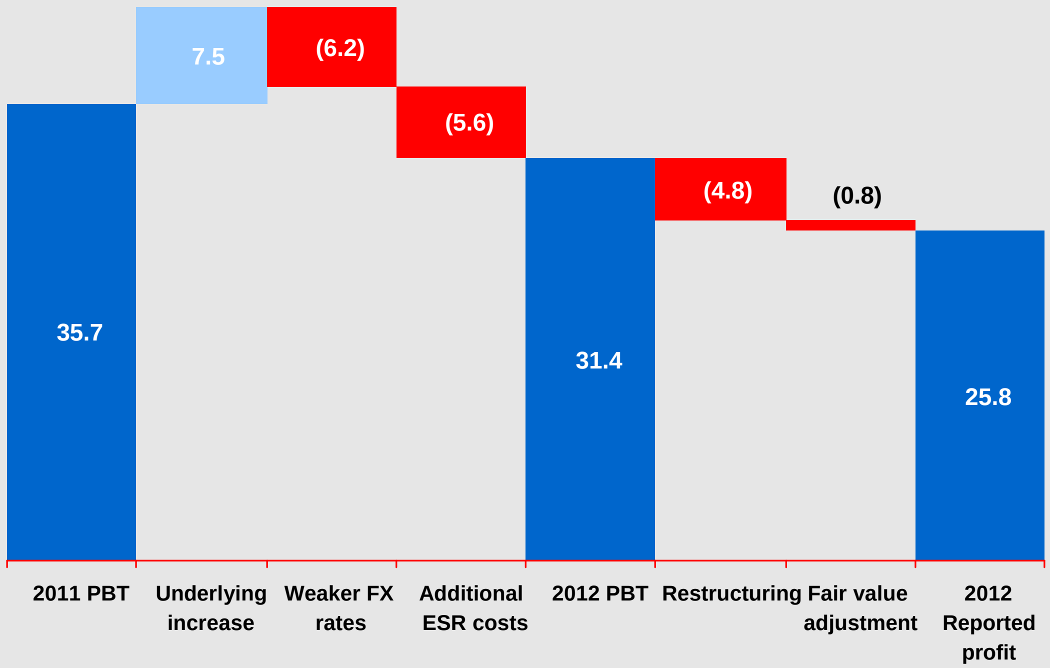
- Receivables up 10%
- Higher receivables drives revenue growth of 8%

Stable credit quality

Annualised Group impairment as a percentage of revenue



Strong underlying performance

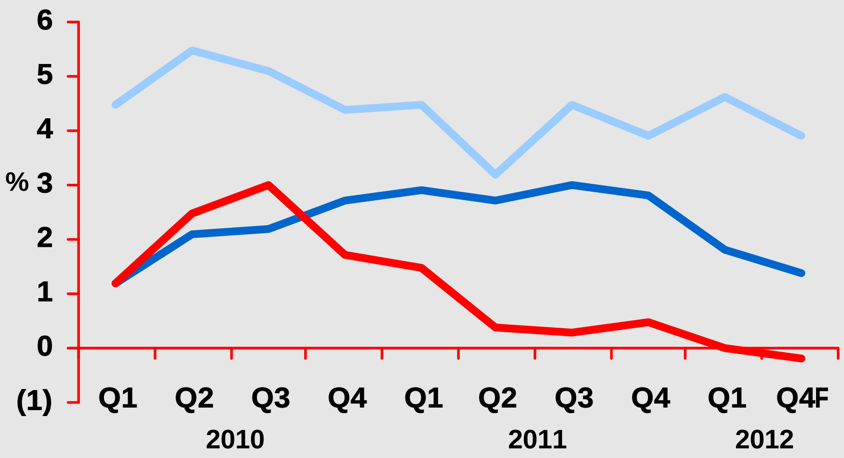


- Underlying profit increase of £7.5M reflecting good growth and stable credit quality
- 70% of forecast profit hedged at effective FX rates that are 17% weaker than 2011 rates
- Revenue yield reduced due to impact of additional ESRs (2012 estimated impact of £10M - £15M)
- Net cost impact of restructuring will be annual saving of c£2M

Market conditions

Modest GDP growth and low but relatively stable consumer confidence

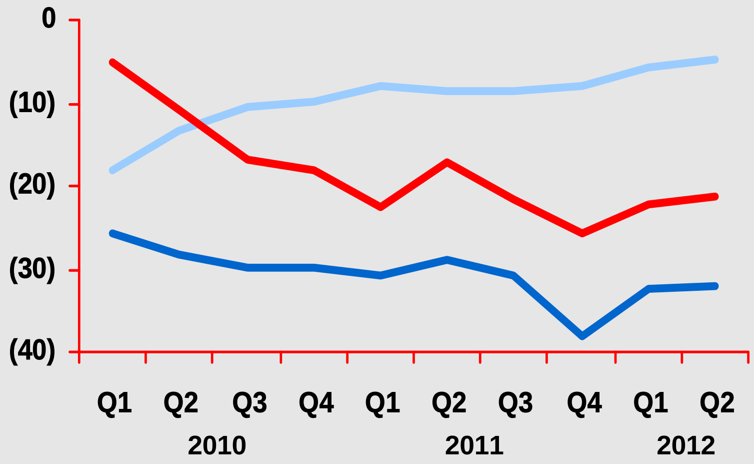
GDP growth



- Modest growth in European markets of 1.4%
- Much stronger growth in Mexico of 4%

Source: Citigroup

Consumer confidence



- European confidence low but relatively stable
- Mexico on upward trend

Sources: Europe - EU Consumer confidence Indicator. Mexico - Reuters

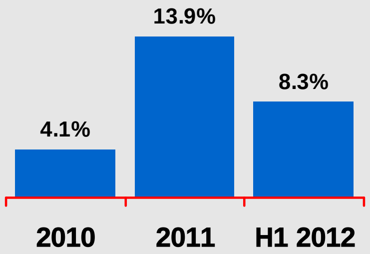
IPF European markets (weighted)
Mexico
UK

Poland

Contributing 42% of Group revenue

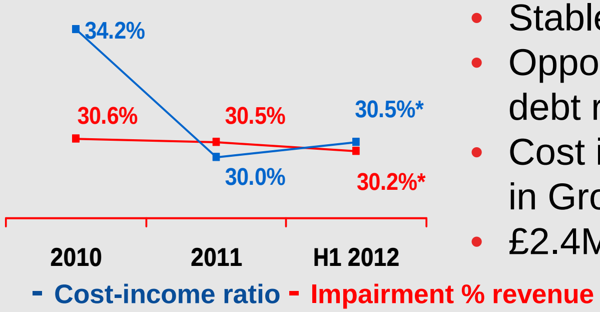
Largest market, significant contribution

Revenue growth (at CER)



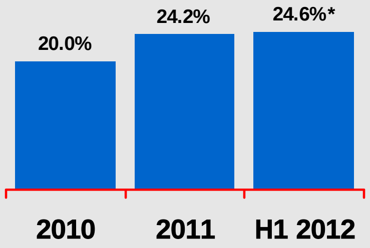
- Customers up 5% to 847,000
- Credit issued up 9%
- Average receivables up 7%
- Impact of ESRs not significant in H1

Quality and efficiency



- Stable credit quality
- Opportunities to improve debt recovery
- Cost income ratio lowest in Group at 30.5%
- £2.4M invested in growth

Profit margin



- Underlying profit growth of £4.6M
- Profit impacted by ESRs (£0.7M) and FX (£4.2M)

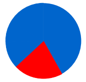
Key takeaways

- Large, stable, growing economy
- Strong operational performance
- Increased impact from rebates in H2
- Good opportunities for further growth

** Annualised*

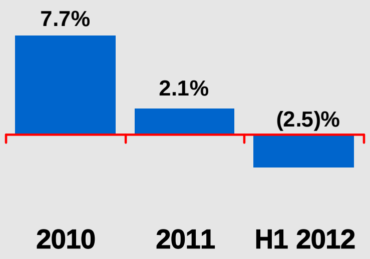
Czech-Slovakia

Contributing 21% of Group revenue



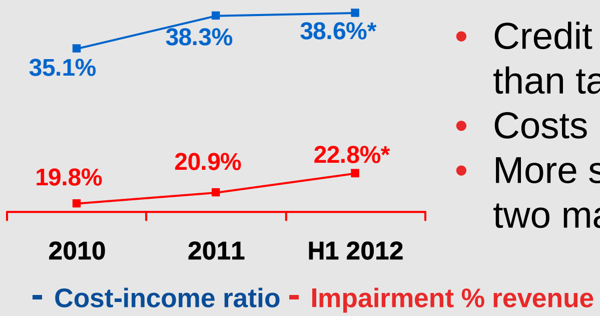
Opportunities to improve

Revenue growth (at CER)



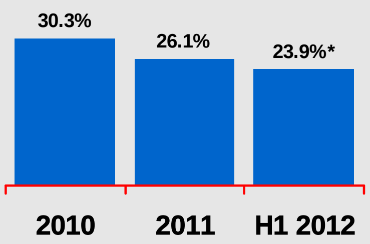
- Customers up 4% to 402,000
- Credit issued up 6%
- Average receivables up 8%
- ESR increase of £4.9M equates to 7% of revenue
- Growth slower than expected

Quality and efficiency



- Credit quality still lower than target range
- Costs reduced by 1%
- More synergies between two markets expected

Profit margin



- Underlying improvement of £1.3M
- ESR impact expected to level off in H2
- FX impact of £1.3M

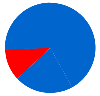
Key takeaways

- Stable economies
- Growth and profit below expectations
- Refreshed management team
- Improved performance expected

** Annualised*

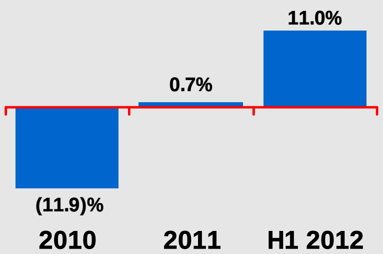
Hungary

Contributing 11% of Group revenue



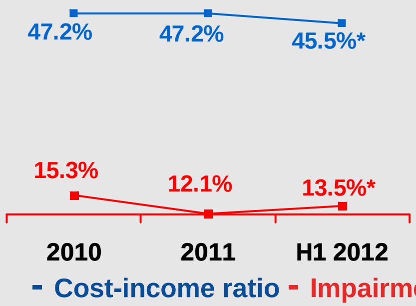
Strong growth and excellent credit quality continues

Revenue growth (at CER)



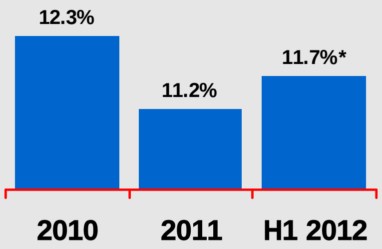
- Customers up 4% to 259,000
- 15% growth in credit issued
- 16% increase in average receivables

Quality and efficiency



- Credit settings eased
- Opportunities to take more risk
- Further improvement in cost-income ratio targeted

Profit margin



- Underlying improvement of £0.8M
- Weaker FX rates impacted results by £0.6M

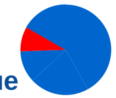
Key takeaways

- Market conditions remain uncertain
- No impact expected from lower APR cap
- Market share increased significantly
- Progressive improvement in performance

** Annualised*

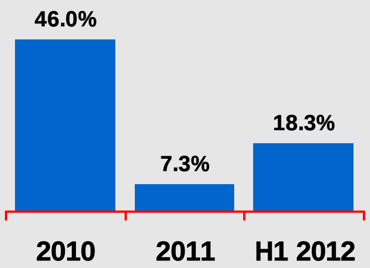
Romania

Contributing 9% of Group revenue



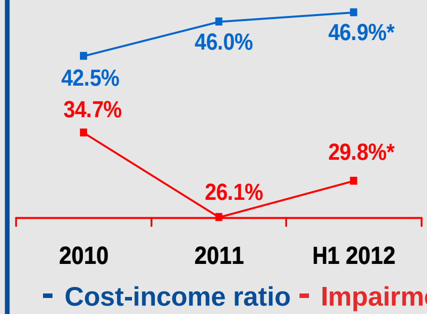
Difficult first half

Revenue growth (at CER)



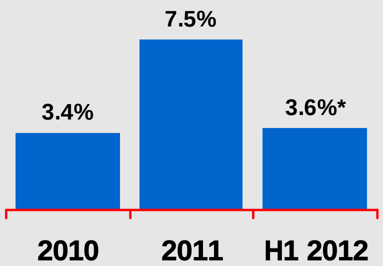
- Customers up 17% to 265,000
- Average receivables up 17% but credit issued growth slowed to 11%
- Performance affected by severe Winter weather

Quality and efficiency



- Rise in impairment partly reflects Q1 weather – no reversal in Q2
- Cost of investment in H2 2011 and H1 2012 higher than resultant growth

Profit margin



- Profit below expectation
- Reduction attributable to Q1

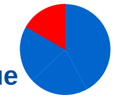
Key takeaways

- Difficult market backdrop
- Planned increase in public sector pay should be beneficial
- Stronger growth targeted

* *Annualised*

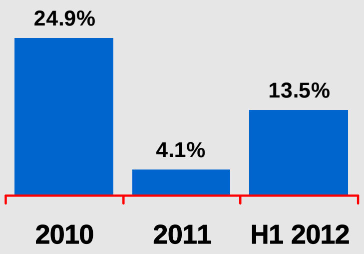
Mexico

Contributing 17% of Group revenue



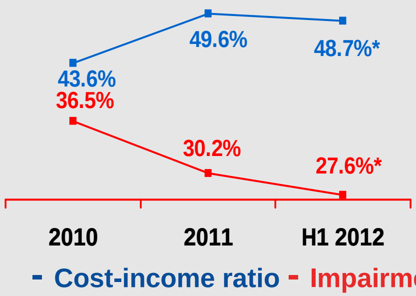
Making rapid progress

Revenue growth
(at CER)



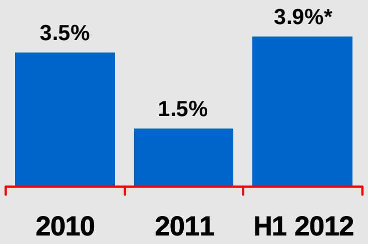
- Customers up 10% to 682,000
- Strong growth in credit issued of 29% and average receivables of 18%
- Credit test extended to 18 branches
- Revenue yield reducing due to longer-term loans

Quality and efficiency



- Further improvement in operating fundamentals
- Agent turnover reduced to 61% from 82%
- Significant improvement in credit quality
- Cost-income ratio falling

Profit margin



- £2.6M improvement in first half results
- Aim to deliver £30 profit per customer in next 2-3 years

Key takeaways

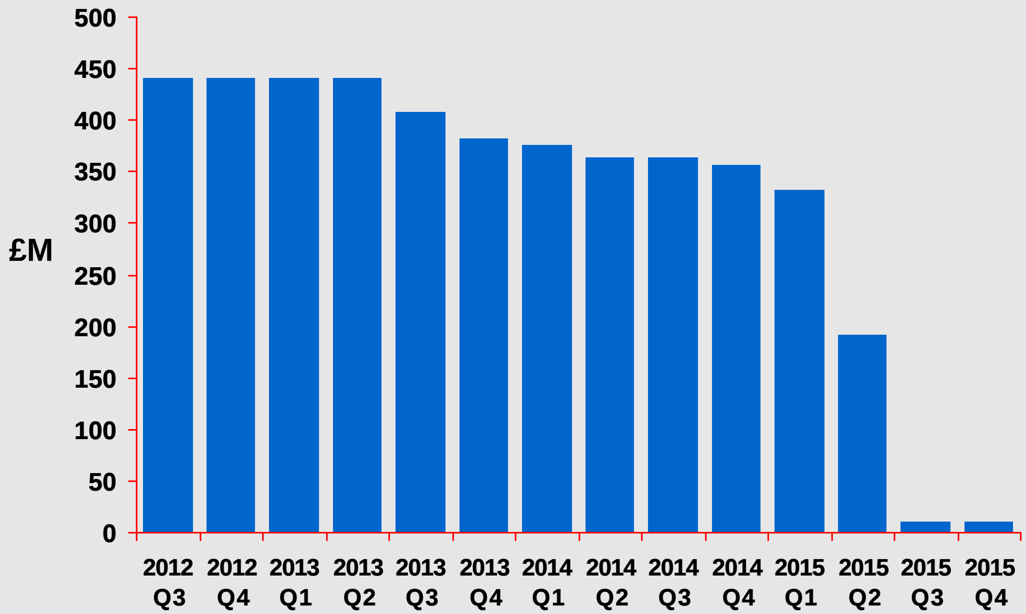
- Further improvement in operational and financial performance
- Significant growth opportunity
- Business is on track

** Annualised*

Successful bank refinancing

Business plan fully funded through to 2015

Maturity profile of debt facilities



- £130M of bank facilities extended to 2015
- No change in margin or covenants – substantial headroom on all covenants
- £4M reduction in borrowings (CER) despite 10% receivables growth

Total facilities	**£436.0M**
Average maturity	**2.7 years**
Headroom	**£189.7M**
Interest cover	**3.4x***

** Annualised*

Balance sheet further strengthened

	2009	2010	2011	June 2012
Gearing	1.3x	1.0x	0.8x	0.7x
Equity to receivables	49.4%	54.5%	58.5%	59.2%

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£25M share buy-back, increased dividend

- Capital ratio of c55% equity to receivables remains appropriate
- Continue to generate surplus cash and capital
- Equity to receivables ratio 59% at 30 June 2012
- Funding in place, strong underlying trading performance
- Undertaking £25M share buy-back programme
- Dividend increased by 7.5%

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Strategy for Growth

Gerard Ryan
Chief Executive Officer

International Personal Finance

Strategy for Growth – initial findings

What I like

- Robust operating model; motivated and engaged employee teams
- Strong control and compliance mindset
- Room to grow in existing markets
- Clear set of values and strong, personal relationships with customers

What needed to be fixed

- Define and articulate clear Strategy for Growth
- Balance between UK and markets
- Redefine resources required to deliver new strategy
- More focused view on delivering shareholder value

What we need to evolve to

- Stronger sales/growth mindset
- Upgrading skill set to meet existing and future needs
- Better insights as to the customer of the future

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Strategy for Growth – a new opportunity

Expand footprint	Existing Countries Organic / Acquisition	New Country Greenfield / Acquisition		
Improve customer engagement	Customer Acquisition	Customer Experience	Customer Retention	Customer Profitability
Develop sales culture	Recruitment & Development	Reward & Recognition	Marketing Expertise	
Execution	Clear Strategy Aligned Goals	CM Functional Leader Partnership	Smart Central Functions	IT Enabling & Strong Credit Control

Strategy for Growth – key goals

	Complete	End 2012	End 2013
Define and articulate Strategy for Growth	☑		
Expand footprint			
Launch new geography			☐
Improve customer engagement			
Pilot preferential pricing in all European markets		☐	
Redevelop customer service centres			☐
Broaden product range		☐	☐
Implement online decision in principle			☐
Develop sales culture			
Redefine resource requirements	☑		
Tie reward and recognition to core strategy		☐	
Execution			
Restructure senior management team	☑		
Redefine role of UK head office	☑		
Restructure UK head office	☑		
Articulate forward looking IT strategy		☐	

Conclusions

- A resilient business
- Trading on track
- Surplus capital to be returned
- Opportunities for growth
- Strategy in place
- Execution of strategy underway

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Questions

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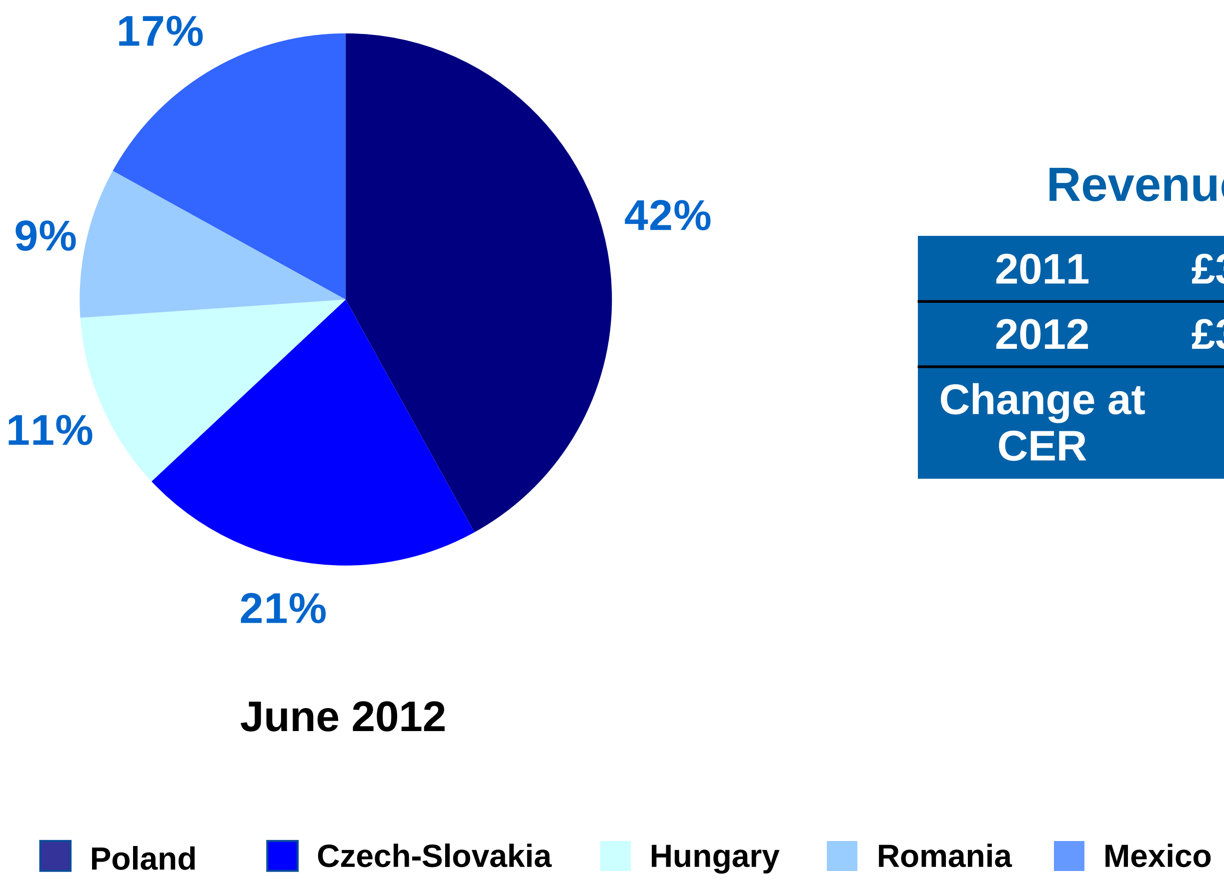
Appendices

Group revenue



Revenue

2011	£326.7m
2012	£316.0m
Change at CER	7.7%

Group

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	2,455	2,288	7.3
Credit issued	409.3	406.4	12.2
Average net receivables	568.9	574.3	10.3
Revenue (net of ESRs)	316.0	326.7	7.7
Impairment	(98.3)	(98.5)	(10.7)
Finance costs	(20.4)	(21.8)	(4.6)
Agents' commission	(35.9)	(36.2)	(10.8)
Other costs	(130.0)	(134.5)	(5.5)
Profit before taxation*	31.4	35.7	

** Excluding an exceptional restructuring charge of £4.8M (2011: £nil)* and an *accounting loss on the fair value of derivatives of £0.8M (2011: loss of £4.7M).*

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Strong underlying performance

	2012 Reported profit £M	Underlying profit movement £M	Additional ESR costs £M	Weaker FX rates £M	2011 Reported profit £M
Poland	24.5	4.6	(0.7)	(4.2)	24.8
Czech-Slovakia	12.4	1.3	(4.9)	(1.3)	17.3
Hungary	1.9	0.8	-	(0.6)	1.7
Mexico	0.5	2.5	-	0.1	(2.1)
Romania	(1.6)	(1.9)	-	(0.2)	0.5
UK – central costs	(6.3)	0.2	-	-	(6.5)
Profit before taxation*	31.4	7.5	(5.6)	(6.2)	35.7

** Excluding exceptional item and fair value adjustments.*

Poland

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	847	806	5.1
Credit issued	152.4	157.8	9.3
Average net receivables	227.4	240.7	7.0
Revenue	132.2	138.2	8.3
Impairment	(45.3)	(47.9)	(6.8)
Finance costs	(5.2)	(8.1)	26.8
Agents' commission	(13.5)	(13.2)	(15.4)
Other costs	(43.7)	(44.2)	(8.4)
Profit before taxation	24.5	24.8	

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Czech-Slovakia

Six months ended 30 June 2012

	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	402	387	3.9
Credit issued	94.8	97.0	5.5
Average net receivables	146.1	146.3	7.7
Revenue	66.8	73.9	(2.5)
Impairment	(19.3)	(18.1)	(14.2)
Finance costs	(3.1)	(3.3)	3.1
Agents' commission	(7.1)	(8.0)	2.7
Other costs	(24.9)	(27.2)	0.8
Profit before taxation	12.4	17.3	

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Hungary

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	259	248	4.4
Credit issued	50.3	50.8	14.8
Average net receivables	72.0	72.2	15.6
Revenue	36.4	38.0	11.0
Impairment	(7.7)	(6.9)	(28.3)
Finance costs	(4.4)	(4.4)	(15.8)
Agents' commission	(6.1)	(6.7)	(5.2)
Other costs	(16.3)	(18.3)	(1.2)
Profit before taxation	1.9	1.7	

Romania

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers ('000)	265	226	17.3
Credit issued	40.9	40.8	11.4
Average net receivables	51.3	48.6	16.9
Revenue	27.8	26.1	18.3
Impairment	(10.8)	(8.3)	(42.1)
Finance costs	(3.1)	(3.0)	(14.8)
Agents' commission	(2.6)	(2.7)	(8.3)
Other costs	(12.9)	(11.6)	(22.9)
(Loss) / profit before taxation	(1.6)	0.5	

Mexico

Six months ended 30 June 2012	2012 £M	2011 £M	Change at CER %
Customer numbers (‘000)	682	621	9.8
Credit issued	70.9	60.0	28.7
Average net receivables	72.1	66.5	17.8
Revenue	52.8	50.5	13.5
Impairment	(15.2)	(17.3)	4.4
Finance costs	(4.3)	(3.7)	(26.5)
Agents’ commission	(6.6)	(5.6)	(26.9)
Other costs	(26.2)	(26.0)	(9.2)
Profit / (loss) before taxation	0.5	(2.1)	

Balance sheet

	June 2012 £M	Dec 2011 £M	Change at CER %	June 2011 £M	Change at CER %
Fixed assets	32.1	34.2	(5.9)	40.1	(12.8)
Receivables	564.4	560.4	1.3	597.2	9.7
Cash	19.5	17.9	9.6	26.1	(12.9)
Borrowings	(246.3)	(276.5)	10.6	(287.4)	1.6
Other net liabilities	(35.8)	(8.3)	(347.5)	(40.5)	12.9
Equity	333.9	327.7	2.6	335.5	18.2

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Foreign exchange rates

	Average H1 2011	Closing June 2011	Average 2011	Closing Dec 2011	Average H1 2012	Closing June 2012	Contract H2 2012
Poland	4.6	4.5	4.7	5.3	5.3	5.3	5.5
Czech Republic	28.9	27.3	28.9	30.7	31.0	31.6	31.0
Slovakia	1.2	1.1	1.2	1.2	1.2	1.2	1.2
Hungary	318.6	303.1	316.7	377.9	381.3	363.5	399.4
Mexico	19.3	19.2	19.7	21.7	21.1	21.9	22.1
Romania	4.9	4.8	5.0	5.2	5.2	5.5	5.4

Exchange rate to Sterling

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Headroom on bank covenants

	June 2012	Covenant	Headroom
Interest cover*	3.4x	2x min	£56.9M
Net worth**	£339.2M	£125M min	£214.2M
Receivables: borrowings	2.3x	1.1x min	£266.8M
Gearing**	0.7x	3.75x max	£273.5M

** Annualised ** Adjusted for derivatives and pension liabilities according to covenant definitions*

Our markets

	Year entered	EU member?	Fitch rating	Population ('M)	Customers ('000) June 2012
Poland	1997	✓	A-	38.2	847
Czech Republic	1997	✓	A+	10.5	402
Slovakia	2001	✓	A+	5.5	
Hungary	2001	✓	BB+	10.0	259
Mexico	2003	×	BBB	113.7	682
Romania	2006	✓	BBB-	22.2	265

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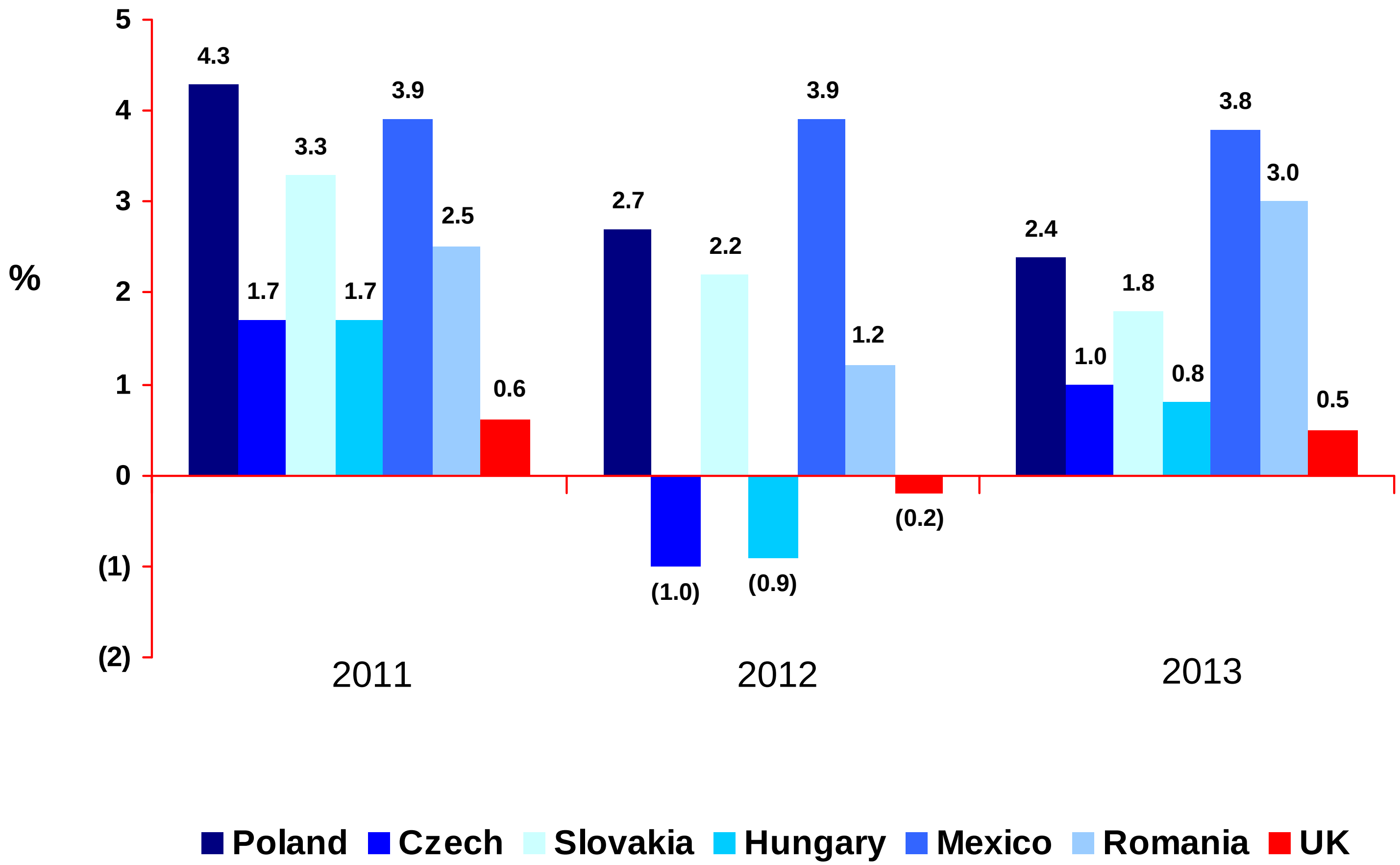
GDP growth



Source: Citibank. 2011 – actual. 2012 and 2013 - forecast

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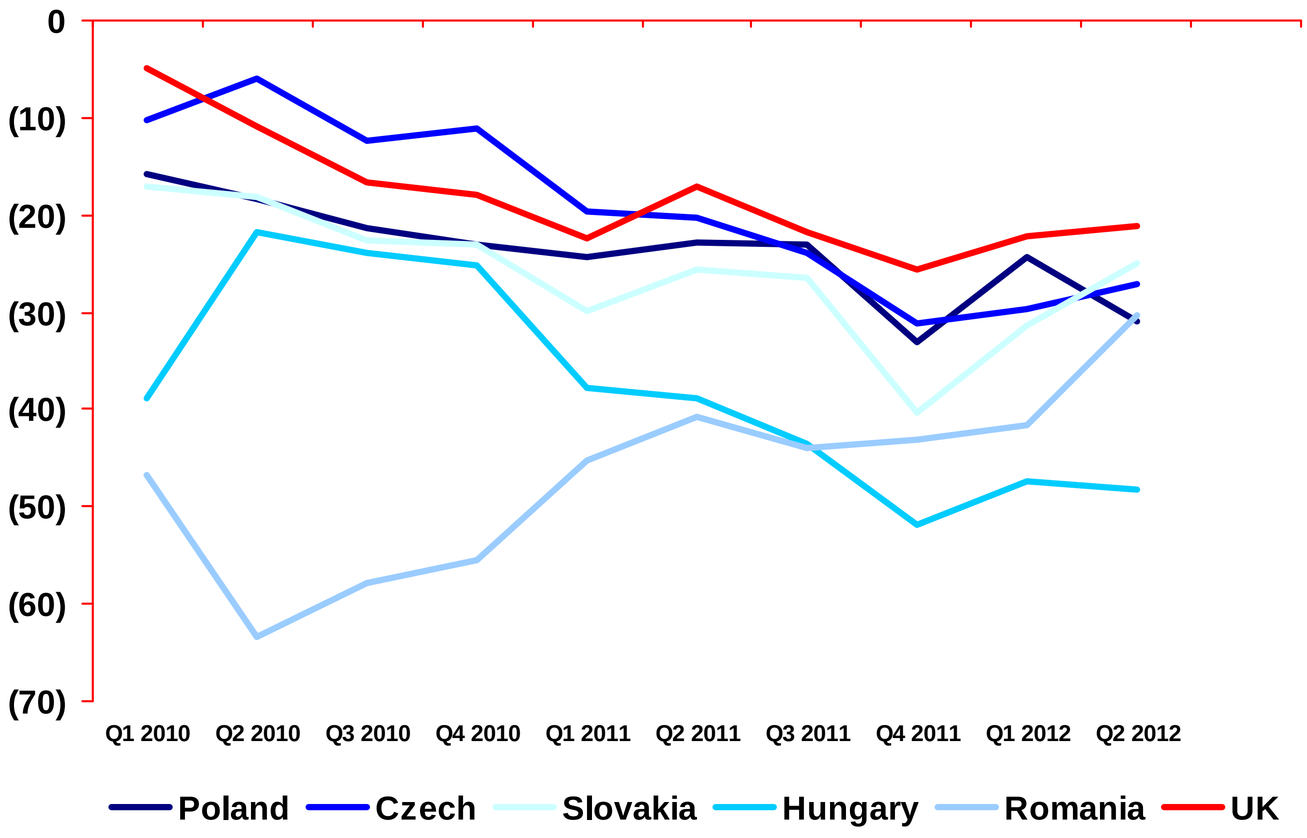
Consumer confidence



Source: EU Consumer confidence Indicator

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