International Personal Finance
Q1 2018 trading update
4 May 2018

Highlights

- Credit issued growth of 3%, in-line with our expectations
    - European home credit contracted by 4%
    - Mexico home credit growth of 5%
    - IPF Digital growth of 24%

- European home credit delivered a good operational performance

- Mexico home credit performed in-line with our expectations

- IPF Digital delivered strong top-line growth and improved credit quality

- Good credit quality and collections - Group annualised impairment as a percentage of revenue of 26.4%*

- Robust funding position - £189M of headroom on debt facilities at 31 March 2018

* All impairment as a percentage of revenue figures within this statement reflect a conversion from IAS39 to IFRS 9

Group Q1 overview

The Group made a good start to the year and traded in line with our expectations. Credit issued increased by 3% driven by IPF Digital and Mexico home credit, offset partially, as expected, by a modest contraction in our European home credit markets. Credit quality and collections remain good and annualised impairment as a percentage of revenue was 26.4% compared to 27.8% at the 2017 year end.

European home credit

As previously advised, we have now consolidated our Northern and Southern European home credit businesses into one reporting segment. European home credit generates the cash and the capital that is used to fund our growth opportunities and returns to shareholders. Credit issued contracted year-on-year by 4% reflecting a continued challenging regulatory and competitive environment, together with a stronger than expected performance in Romania offset by a slightly weaker outcome in the other markets. The quality of the loan portfolio remains good and a strong collections performance supported an improvement in annualised impairment as a percentage of revenue to 19.0% from 20.7% at the 2017 year end.

Mexico home credit

Our home credit operation in Mexico performed well and delivered a 5% increase in credit issued growth in the first quarter against strong comparative numbers. This was in line with our expectations. We expect this rate of growth to accelerate as we move through 2018 driven by geographical expansion, increased micro-business lending and improving customer penetration rates in selected longer-established branches. For the year as a whole, our expectations for credit issued growth remain unchanged at around 12% to 15%. We delivered a solid collections performance and annualised impairment as a percentage of revenue under IFRS9 was 36.1%, in line with the 2017 year-end outcome. Looking ahead, we plan to expand our geographic footprint further in Mexico with the opening of five new branches during the second quarter of the year.

IPF Digital

There is positive momentum in IPF Digital which made good progress in Q1 with credit issued growth of 24%. Our established markets delivered 21% growth driven by a very good performance in Finland where demand for our credit line product was notably strong. We expect this rate of growth to moderate throughout 2018. Our new markets, where we are working to develop each market's processes to optimise lending and collections, delivered year-on-year credit issued growth of 29%. We expect this growth rate to increase driven by further investment in marketing in Poland and Spain. Credit quality was in-line with our expectations and annualised impairment as a percentage of revenue for IPF Digital as a whole improved to 41.1% from 45.6% at the 2017 year end.

Funding

We maintained our robust funding position and at 31 March 2018 we had total debt facilities of £845M and borrowings of £656M, with headroom on undrawn bank facilities of £189M.

Regulation

As mentioned in our 2017 full-year results announcement, a proposal to implement an APR cap at 18% for existing and new consumer lending is being debated in the Romanian Parliament and we are contributing to this discussion. We believe it highly likely that an APR cap will be enacted prior to our next scheduled trading update. If enacted as currently proposed, it would have a material adverse effect on our Romanian business. That business had net receivables as at 31 December 2017 of £93.4M and we currently expect that it would generate a profit before tax of around £10M in 2018, before any impact from this APR cap proposal. If an APR cap is introduced during this period, we will complete our assessment of its likely financial impact based on the final form of the cap and update the market in our half-year trading announcement.

There has been no update from the Polish Ministry of Justice on its proposal, published in December 2016, to reduce the existing non-interest pricing cap in Poland.

Outlook

We remain focused on serving our customers responsibly within a regulatory and competitive landscape that we expect will remain challenging. We continue to improve the sustainability of our European home credit businesses by investing to create a more modern, efficient and higher credit quality operation that provides a good service to customers and delivers strong returns to reward shareholders and fund growth opportunities in our Mexico home credit and IPF Digital operations.

Investor and analyst conference call

International Personal Finance will host a conference call for investors and analysts at 08.30 (BST) today. Please dial-in 5-10 minutes before the start of the call.

Dial-in (UK)	+44 (0)330 336 9105 **Confirmation code:** 6231002
Replay:	An audio recording of the conference call will be available in the investors section of our website at www.ipfin.co.uk

A copy of this statement can be found on the Company's website – www.ipfin.co.uk

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