International Personal Finance

2024 half-year results

Delivering
growth and returns

31 July 2024

Performance and **strategy**

Gerard Ryan

Chief Executive Officer

Another very strong first half performance

- Excellent progress against Next Gen strategy
- Rebuilding scale and delivering growth
- Financial results ahead of plan
- Major refinancing to support ambitious growth plans

+25%

£47.3m

Pre-exceptional profit before tax

Delivering increasing returns to shareholders

3.4p
Interim dividend per share

+9.7%

16.2%
RoRE

56%
Equity to receivables

£15m
Share buyback

Consistent execution
of our Next Gen strategy

Financial inclusion

- Deploy product family
- Delivering more value for customers
- Build distribution channels through partnerships
- Expand geographic footprint

Organisation

- Be a great place to work
- Upgrade productivity
- Be purposeful and support our communities
- Upgrade external credentials

Technology and data

- Optimise and standardise processes
- Open flexible architecture
- Use data to drive decision making
- Leverage new tech

Supported by our values

Next Gen
Financial inclusion

Through **expanded product range**

Exciting new credit card

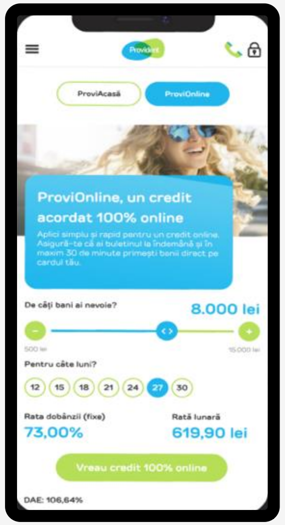
145,000
Active credit card customers in Poland

2x
ATM, retail and online transactions in 12 months

New digital lending in Romania

76%
new customers

84%
Customer satisfaction



Next Gen
Financial inclusion

Through **expanded distribution**

Retail partnerships - **an engine for growth**

450
retail stores

99%
new customers

£650
average loan

Strong growth of mobile wallet

+50%

85,000
mobile wallet customers

New branch in Mexicali

Next Gen Organisation

Through **being a more efficient organisation**

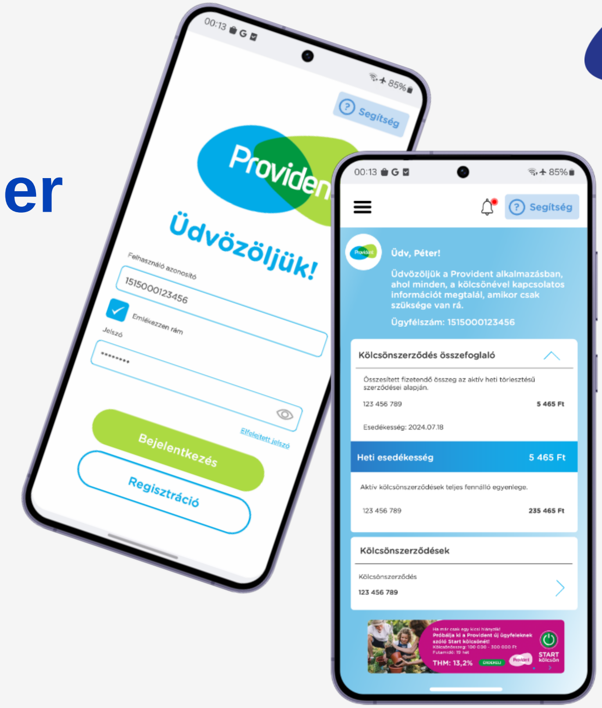
Delivering process efficiency and **developing talent**

Improved ESG ratings and award wins

FTSE4Good

Next Gen
Technology and data

Extending customer app into Hungary



Through **technology investment**

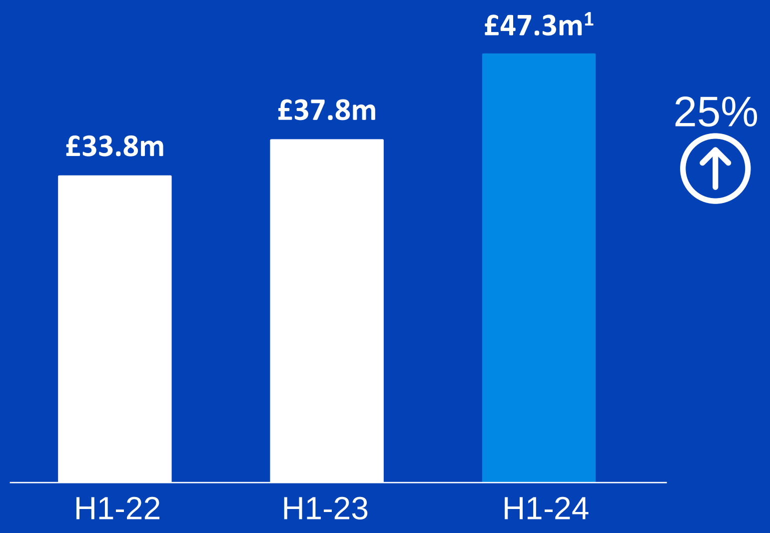
Offering omni-channel touch points to customers

Financial performance

Gary Thompson

Chief Financial Officer

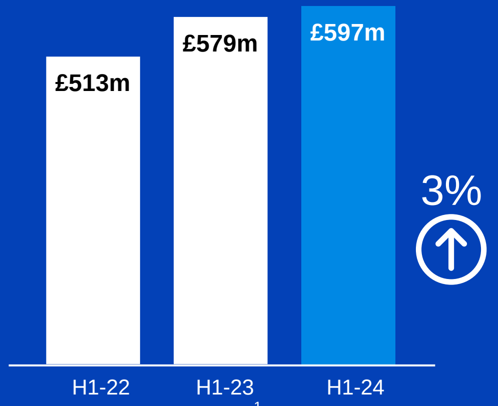
Pre-exceptional profit before tax **up by 25%**



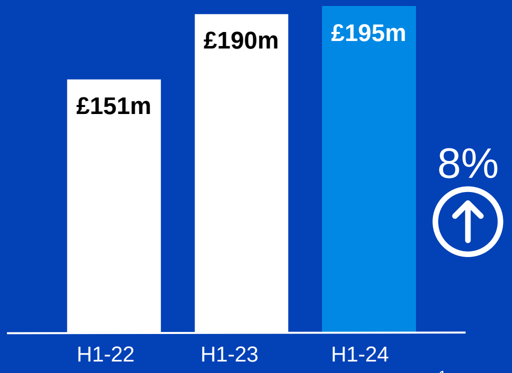
- Strong repayment performance underpins profits ahead of internal plan
- Consistent profit improvement:
  - Excellent operational execution
  - Rigorous application of financial model
- Exceptional costs of £10.8m in first half:
  - £5.0m Poland restructuring
  - £5.8m Eurobond refinancing
- Expect second half profit to be lower:
  - Repricing of credit cards
  - Stronger lending growth
- Expect full-year pre-exceptional profit before tax of between £78m - £82m, ahead of current market consensus of c.£71m

1. Before exceptional costs of £10.8m

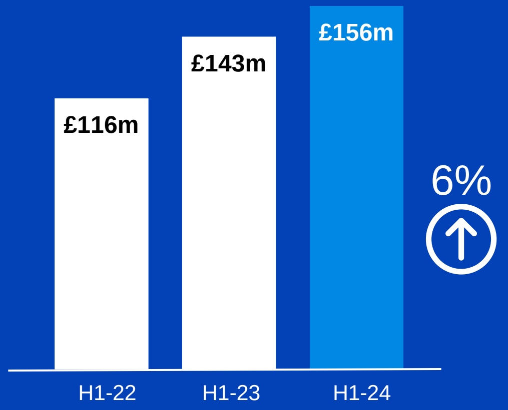
Building momentum in customer lending



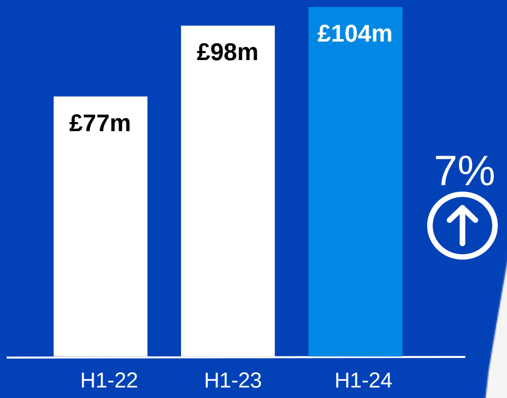
Group[1]



European home credit[1]
(excluding Poland)



Mexico home credit[1]

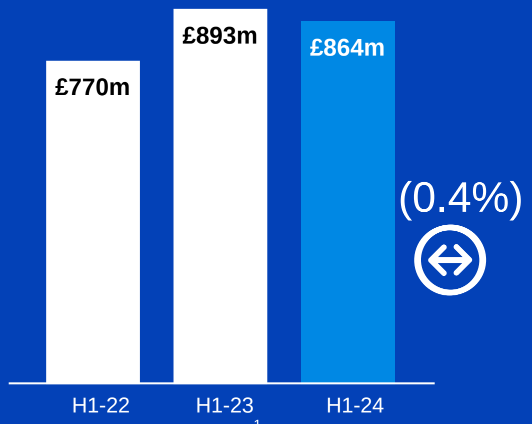


IPF Digital[1]
(excluding Poland)

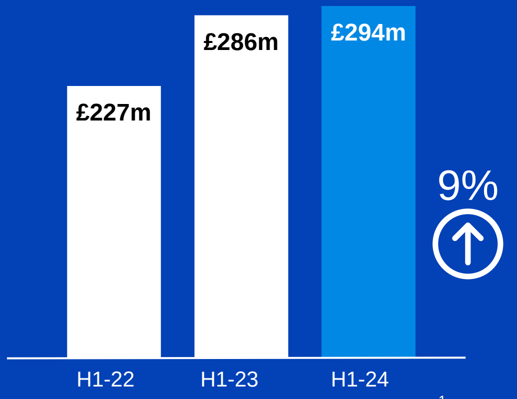
- Group customer lending up 3%:
  - Strong growth of 7%, excluding Poland
  - Growth momentum building
- European home credit:
  - Romania, Hungary and Czech Republic combined delivered 8% growth
- Mexico home credit:
  - Expansion supporting growth of 6%
  - Expect between 8% and 10% growth for the full-year
- IPF Digital:
  - Good growth of 7% in Mexico, Australia and the Baltics
  - Expect between 10% and 15% growth for the full-year
- Poland:
  - Lending contraction of 7%
  - 10% growth in Q2 driven by home credit loans
  - Continuing to operate under volume restrictions of the small payment institution licence in 2024

1. All growth rates are at constant exchange rates

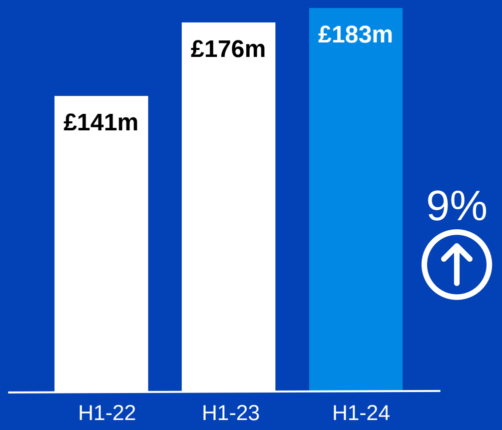
Continued **strong** receivables growth



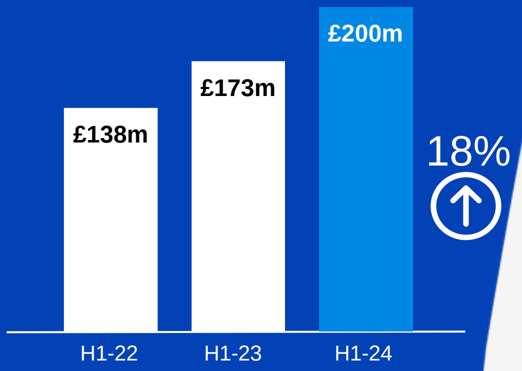
Group[1]



European home credit[1]
(excluding Poland)



Mexico home credit[1]

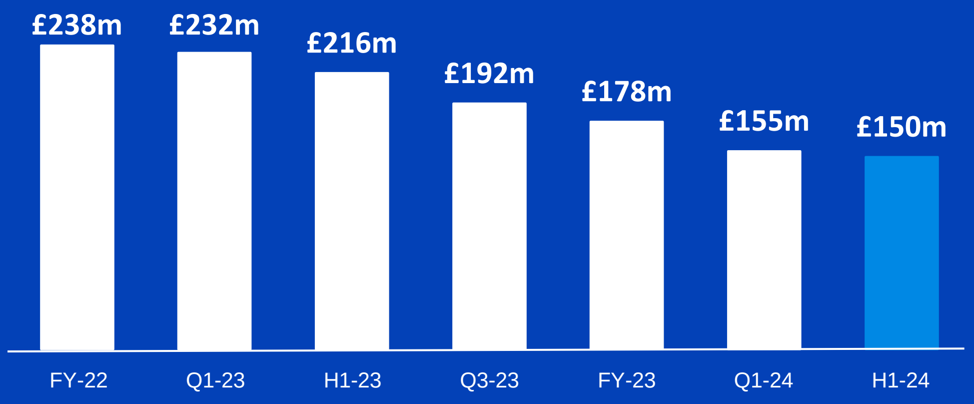


IPF Digital[1]
(excluding Poland)

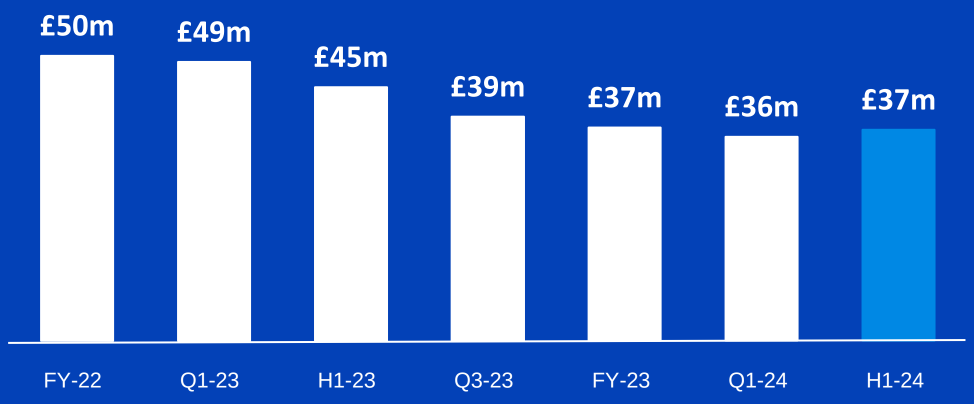
- Strong growth in Group receivables of 12%, excluding Poland
- European home credit:
  - 9% growth in Romania, Hungary and the Czech Republic
- Mexico home credit:
  - Good growth of 9%
  - Investing in sustainable growth with shallow "j-curve" to maintain target returns
- IPF Digital:
  - Strategy to rebuild receivables to gain scale and deliver target returns progressing
  - Strong growth in Mexico and Australia of 20%
  - Baltics delivered a 14% increase
  - Czech Republic receivables up 50% to £9m

1. All growth rates are at constant exchange rates

Stabilising receivables in Poland



European home credit - Poland[1]



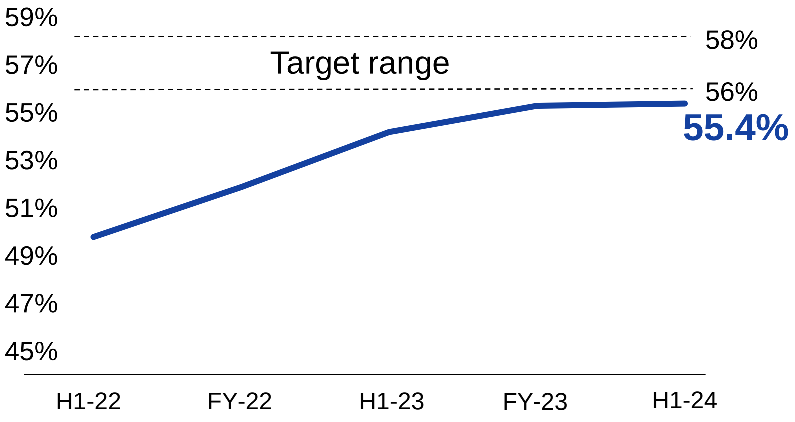
IPF Digital - Poland[1]

1. All numbers and growth rates are at constant exchange rates

- Home credit:
  - 30% year-on-year reduction to £150m
  - Contraction now slowing
  - Expect return to growth by the end of 2024
- IPF Digital:
  - Year-on-year contraction of 17% to £37m
  - Returned to growth in Q2
  - Expect faster growth in H2
- Expect modest contraction for 2024 as a whole

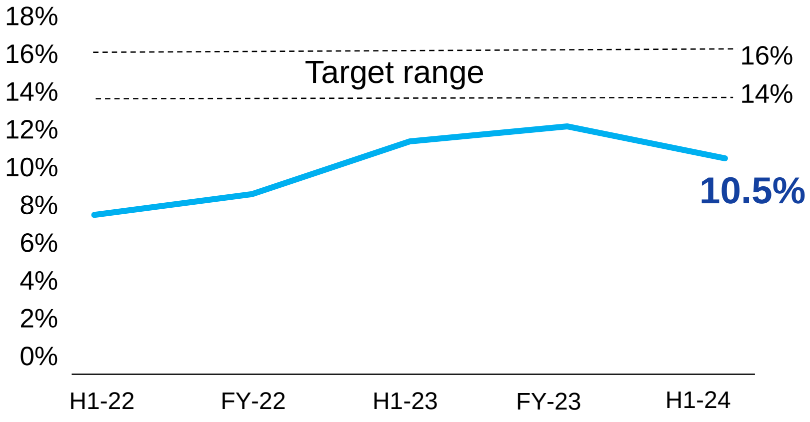
Progressing well towards medium-term targets

Revenue yield



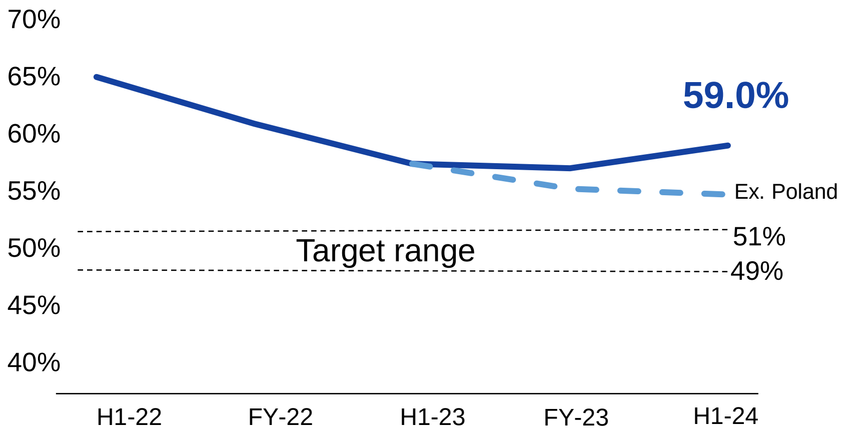
- Group yield continues to strengthen, up 1.2 ppts to 55.4%
- European home credit yield of 47.2% - small reduction since Dec-23 due to credit card repricing
- Mexico home credit yield modestly reduced to 86.5% due to product mix
- IPF Digital reduced by 1.9 ppts to 42.9%, reflecting existing rate cap changes in Europe

Impairment rate



- Exceptional customer repayments and very good portfolio quality continues
- Cost-of-living provision reduced from £15m to £10m
- Improved credit quality led to modest reduction in impairment provision coverage ratio to 34.7%
- Mexico home credit improved from 32.3% at Dec-23 to 30.5% at Jun-24

Cost-income ratio[1]

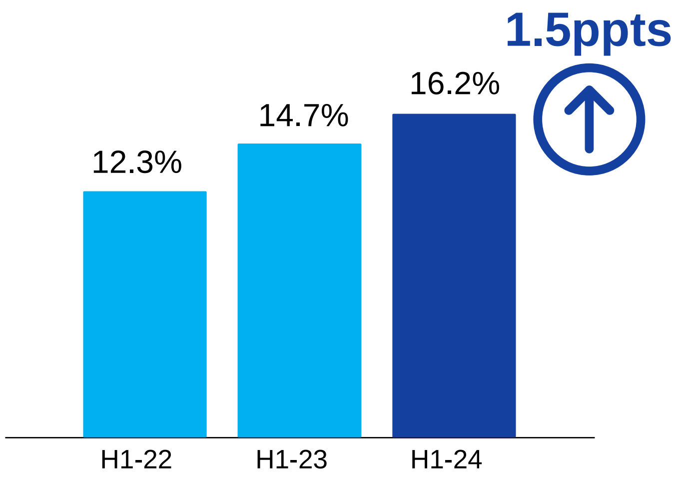


- Strict focus on efficiency and strong cost control
- Increase in cost-income ratio due wholly to revenue reduction in Poland – reduction from 57.3% to 54.7% excluding Poland home credit
- H2 improvement expected as growth delivered
- Ongoing cost actions and further scale to deliver target of 49% to 51% in the medium term

1. Before exceptional restructuring costs of £5.0m

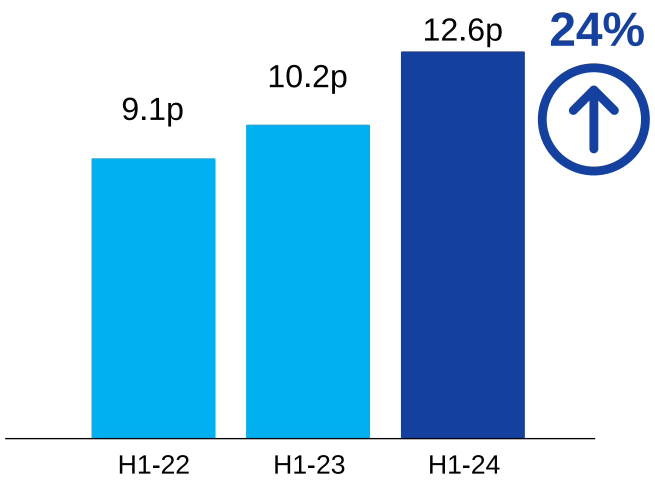
Continued growth in returns, earnings and dividends

Return on required equity (RoRE)



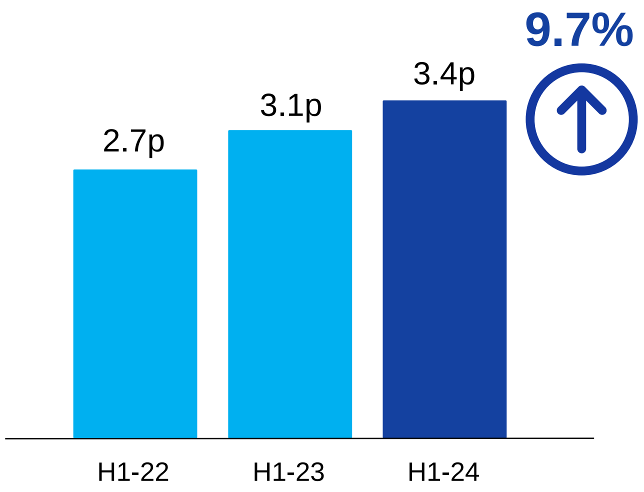
- Improved RoRE driven by growth in Mexico home credit and IPF Digital
- Returns expected to moderate in H2-24 due to credit card repricing
- RoE of 12.1% (H1-23: 11.3%)

Pre-exceptional earnings per share (EPS)



- 24% growth in pre-exceptional EPS
- Effective tax rate of 40% (H1-23: 40%)
- Reported EPS up 4.8% to 8.8p (H1-23: 8.4p) after impact of exceptional items

Interim dividend per share



- Proposed interim dividend of 3.4p per share, up 9.7%
- Dividend consistent with policy to pay 33% of prior full-year dividend at the interim
- Reflects confidence in executing Next Gen strategy and long-term growth potential

Major refinancing supports ambitious growth plans

£679m
Total debt facilities

£483m
Bonds

£196m
Banks

+£28m
bank facilities secured in July

£23m
bank facilities secured in H1

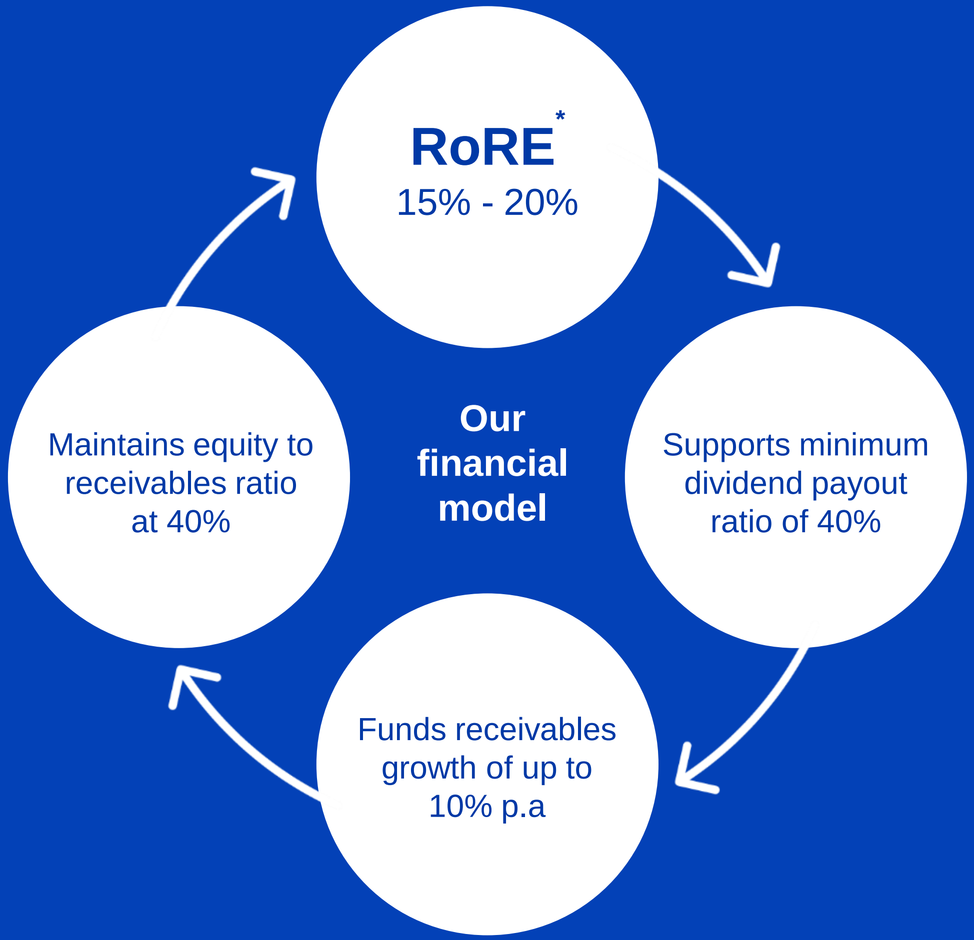
£179m
Headroom[1]

BB stable
Fitch Ratings upgrade

- Successfully refinanced €341m Eurobond, well ahead of maturity with very strong demand
- Fitch Ratings upgrade to BB
- Raised and extended £23m of debt facilities in H1, £28m in July
- Redeemed £35m Nordic bonds in July
- £470m of facilities maturing beyond 2025
- Funding cost of 13.7% (H1-23:14.0%), expected to show a modest increase for the full year due to higher Eurobond headline rate

1. Undrawn facilities and non-operational cash balances.

Strong capital position supports £15m share buyback



- Equity to receivables ratio of 56% compared with 40% target
- Strong capital position supports:
  - Ambitious growth plans
  - Progressive dividend policy
  - £15m share buyback
- Expect to deliver target returns and operating in line with financial model in 2026

*Required equity = equity to receivables ratio of 40%

Outlook

Gerard Ryan

Chief Executive Officer

Delivering **growth and returns**

- Strong H1 financial performance building on solid foundations
- Focus is on:
  - Extending financial inclusion to underserved consumers
  - Being a smarter and more efficient organisation
  - Investing in digital solutions to improve customer experience
- Continuing to adapt our Polish businesses to customer needs and the evolving regulatory landscape
- Strict focus on cost control
- Robust balance sheet supports growth, progressive dividend policy and new share buyback programme
- Expect full-year pre-exceptional profit before tax of between £78m - £82m, ahead of current market consensus of c.£71m

Questions

Appendices

Group

	H1 2024 £m	H1 2023 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**1,656**	1,718	(62)	(3.6%)	(3.6%)
Customer lending	**597.4**	578.8	18.6	3.2%	3.2%
Average gross receivables	**1,369.9**	1,343.2	26.7	2.0%	(0.1%)
Closing net receivables	**864.4**	893.1	(28.7)	(3.2%)	(0.4%)
Revenue	**371.7**	380.0	(8.3)	(2.2%)	(2.7%)
Impairment	**(64.3)**	(89.2)	24.9	27.9%	29.1%
Revenue less impairment	**307.4**	290.8	16.6	5.7%	5.5%
Costs	**(225.4)**	(215.1)	(10.3)	(4.8%)	(4.3%)
Interest expense	**(34.7)**	(37.9)	3.2	8.4%	8.4%
Pre-exceptional profit before taxation	**47.3**	37.8	9.5		
Exceptional items	**(10.8)**	-	(10.8)		
Profit before taxation	**36.5**	37.8	(1.3)		
Annualised revenue yield	**55.4%**	54.2%	1.2ppts		
Annualised impairment rate	**10.5%**	11.4%	0.9ppts		
Annualised cost-income ratio	**59.0%**	57.4%	(1.6)ppts		
Pre-exceptional EPS[1]	**12.6p**	10.2p	2.4p		
Annualised pre-exceptional RoE[1]	**12.1%**	11.3%	0.8ppts		
Annualised pre-exceptional RoRE[1,2]	**16.2%**	14.7%	1.5ppts		

[1] *Prior to an exceptional charge of £10.8m in 2024, and an exceptional tax charge of £4.0m in 2023.*
[2] *Based on required equity to receivables of 40%.*

European home credit

	H1 2024 £m	H1 2023 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**717**	779	(62)	(8.0%)	(8.0%)
Customer lending	**315.4**	310.9	4.5	1.4%	2.6%
Average gross receivables	**744.8**	784.7	(39.9)	(5.1%)	(6.5%)
Closing net receivables	**444.0**	499.1	(55.1)	(11.0%)	(8.5%)
Revenue	**166.0**	190.4	(24.4)	(12.8%)	(12.1%)
Impairment	**(5.7)**	(25.0)	19.3	77.2%	77.4%
Revenue less impairment	**160.3**	165.4	(5.1)	(3.1%)	(2.1%)
Costs	**(112.1)**	(109.9)	(2.2)	(2.0%)	(2.8%)
Interest expense	**(18.4)**	(23.7)	5.3	22.4%	22.0%
Pre-exceptional profit before taxation	**29.8**	31.8	(2.0)	(6.3%)	
Annualised revenue yield	**47.2%**	45.6%	1.6ppts		
Annualised impairment rate	**2.2%**	3.4%	1.2ppts		
Annualised cost-income ratio	**64.7%**	59.8%	(4.9)ppts		
Annualised pre-exceptional RoRE	**21.3%**	22.6%	(1.3)ppts		

Mexico home credit

	H1 2024 £m	H1 2023 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**710**	700	10	1.4%	1.4%
Customer lending	**156.0**	142.9	13.1	9.2%	5.8%
Average gross receivables	**319.1**	274.8	44.3	16.1%	10.0%
Closing net receivables	**183.0**	176.1	6.9	3.9%	9.0%
Revenue	**139.9**	125.4	14.5	11.6%	8.2%
Impairment	**(44.7)**	(44.0)	(0.7)	(1.6%)	1.5%
Revenue less impairment	**95.2**	81.4	13.8	17.0%	13.5%
Costs	**(70.1)**	(64.1)	(6.0)	(9.4%)	(6.1%)
Interest expense	**(7.4)**	(5.9)	(1.5)	(25.4%)	(23.3%)
Reported profit before taxation	**17.7**	11.4	6.3		
Annualised revenue yield	**86.5%**	88.5%	(2.0)ppts		
Annualised impairment rate	**30.5%**	32.2%	1.7ppts		
Annualised cost-income ratio	**49.1%**	50.0%	0.9ppts		
Annualised pre-exceptional RoRE	**24.9%**	20.5%	4.4ppts		

IPF Digital

	H1 2024 £m	H1 2023 £m	Change £m	Change %	Change at CER %
Customer numbers (000s)	**229**	239	(10)	(4.2%)	(4.2%)
Customer lending	**126.0**	125.0	1.0	0.8%	1.5%
Average gross receivables	**306.0**	283.7	22.3	7.9%	7.5%
Closing net receivables	**237.4**	217.9	19.5	8.9%	10.4%
Revenue	**65.8**	64.2	1.6	2.5%	2.8%
Impairment	**(13.9)**	(20.2)	6.3	31.2%	30.8%
Revenue less impairment	**51.9**	44.0	7.9	18.0%	18.2%
Costs	**(35.9)**	(33.1)	(2.8)	(8.5%)	(8.8%)
Interest expense	**(8.8)**	(8.3)	(0.5)	(6.0%)	(6.0%)
Reported profit before taxation	**7.2**	2.6	4.6		
Annualised revenue yield	**42.9%**	44.8%	(1.9)ppts		
Annualised impairment rate	**10.0%**	13.2%	3.2ppts		
Annualised cost-income ratio	**53.4%**	53.3%	(0.1)ppts		
Annualised pre-exceptional RoRE	**8.5%**	3.1%	5.4ppts		

Strong financial profile

	H1 2024	H1 2023
Receivables (£m)	**864.4**	893.1
Equity (£m)	**480.4**	462.9
Equity to receivables	**55.6%**	51.8%
Gearing	**1.2 times**	1.2 times
Interest cover	**2.7 times**	2.2 times
Pre-exceptional EPS	**12.6p**	10.2p
Annualised pre-exceptional RoE	**12.1%**	11.3%
Pre-exceptional RoRE	**16.2%**	14.7%

Balance sheet

	H1 2024 £m	H1 2023 £m	Change at CER
Goodwill	**23.1**	23.4	-%
Fixed assets	**67.1**	64.2	6.5%
Receivables	**864.4**	893.1	(0.4)%
Cash	**86.5**	28.2	213.4%
Borrowings	**(544.5)**	(523.0)	(7.4)%
Other net liabilities	**(16.2)**	(23.0)	29.3%
Equity	**480.4**	462.9	6.3%

At H1-24, borrowings is stated net of deferred issuance costs of £8.7m (H1-23: £4.8m)

Exchange rates

	Closing rates June 2024	Average H1 2024	Closing rates June 2023	Average H1 2023
Polish zloty	**5.1**	**5.1**	5.2	5.3
Czech crown	**29.4**	**29.2**	27.5	27.1
Euro	**1.2**	**1.2**	1.2	1.1
Hungarian forint	**468.0**	**457.0**	430.0	433.2
Romanian leu	**5.9**	**5.8**	5.8	5.7
Mexican peso	**22.8**	**21.7**	21.8	22.2
Australian dollar	**1.9**	**1.9**	1.9	1.8

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Building a better world through financial inclusion