



## An attractive proposition for customers

**We are the human face of finance. We provide small-sum unsecured credit with loans delivered to the customer and repayments collected each week by a dedicated agent. Agents build close, long-term relationships with our customers who like the fast, friendly, flexible and trustworthy service we provide.**

80% of our customers are satisfied with using agents.

## An attractive proposition for customers

### Home credit

A common feature of the emerging markets in which IPF operates is the rapid growth in the size of the market for consumer credit. At the same time, the consumer credit market remains significantly smaller than those of the developed western economies of the UK and the US. Consumer indebtedness in our markets typically represents less than 20% of annual disposable income compared with levels of 80% to 90% in the UK.

The wider consumer credit market includes mortgages, credit cards, hire purchase and cash loans. IPF operates in a sub-sector of the consumer credit market, servicing customers who require a fast cash loan and who seek or are only able to afford to repay small amounts of credit. Products in this sub-sector include credit cards, unsecured personal loans, overdrafts, home shopping catalogues and pawnbroker lending, as well as home-collected cash loans – commonly referred to as 'home credit'.

Home credit provides a convenient way for people from all walks of life to borrow relatively small sums of money at short notice, in a manageable and transparent way. It is predominantly a woman-to-woman business – around three-quarters of agents and over half our customers are women.

We mainly lend in cash, in local currency, with sums ranging from as little as £50 to over £1,000. On average, we lent around £330 to each of our customers during 2008. Loans are short-term ranging from six months to two years, but most are for a period of about a year.

For the majority of home credit loans, we fix the total amount repayable on the loan at the outset and do not levy any penalty charges or interest as a result of missed payments. This applies regardless of the number of missed payments or changes in interest rates. Customers are not required to provide any form of guarantee or security in order to qualify for a loan.

The credit vetting of customers, the provision of the loan and the collection of weekly instalments are all performed in the convenience of the customer's home by a home credit agent who is responsible for servicing the customer's needs throughout their relationship with IPF.

Home credit provides a convenient way for people from all walks of life to borrow relatively small sums of money at short notice, in a manageable and transparent way. Loans are delivered to, and repayments are collected weekly from, the customer's home by their agent.

Loans available from

**£50**

Average home credit loan issued

**£330**

## An attractive proposition for customers

### Our customers

Currently we have 2.03 million customers, over half of whom are women and who typically manage the household budget. Customers use home credit to manage the ups and downs of their weekly finances. Demand is highest at periods like Christmas for buying presents, Easter for family celebrations, summer for holidays and autumn for back-to-school expenditure.

Most of our customers earn average or below average incomes. Nearly all are in employment. We do not lend to customers whose sole income is unemployment benefit or anyone who has been a customer and who did not repay a previous loan.

Many of our customers will have little or no credit history and may be taking a loan from a financial organisation for the first time. Those who have used credit before may have used a store credit card to purchase household items or would have borrowed from friends and family.

The proportion of our customers having a bank account varies market by market. For example, in the Czech Republic around 82% of customers have a bank account, compared with 61% in Poland.

### Meeting our customers' needs

Our products are carefully designed with our customers' needs in mind and we carry out market research and conduct focus groups to ensure these requirements are continually met.

The home credit service has proven to be highly popular with our customers. In the 11 years since we first began operating we have provided credit to more than 5 million people. The home credit service is popular because it is quick, convenient and provides a manageable way for our customers to spread their family budgets to buy the things they want. The relatively small, short-term loans we provide enable customers to budget for repayments. Most customers also have the added assurance that they will not face extra charges if they have difficulty making payments on time.

With busy home and work lives, our customers like the fact that we can usually provide a loan in cash within 48 hours from initial contact. This can be much quicker than mainstream lenders who in these emerging markets do not have the usual sources of information on which to make credit decisions, such as well established credit bureaux or bank account data.

Customers also like the convenience of being able to arrange loans and make repayments in their own home, at a time that suits them. The agent calls at the same time every week and saves them having to travel to a bank to make payments.

Customers use home credit to manage the ups and downs of their weekly finances. Demand is highest at periods like Christmas for buying presents, Easter for family celebrations, summer for holidays and autumn for back-to-school expenditure.

Total number of customers

**2.03m**

Percentage of customers who are female

**52%**

Our target for delivery of a loan in cash, from first contact with customer

**48hrs**

We make every effort to keep our customer documentation clear and simple. Our customer information sheets and agreements set out the necessary information in plain, appropriate language. Our commitment to providing clear, straightforward information is closely linked to our approach to financial literacy which is the main focus of our community investment work. In recent externally commissioned research it was found that 86% of customers feel our loan agreements are easy to understand.

### Pricing

For a typical one-year loan, a customer would be expected to pay around 170 for a loan of 100. This includes the interest cost of the loan as well as the cost of an agent visiting the customer every week and, importantly, the guarantee that there will be no additional penalty charges. We believe that home credit offers good value to our customers compared with other credit products when you take into account the home service provided by the agent, the speed at which a loan is typically delivered, and the peace of mind most customers have that they can miss weekly repayments, when they are short of cash, without penalty.

We make all of our charges clear at the outset. There are no hidden surprises. The fact that we do not charge default penalties on the majority of our loans also means we can help customers through difficult times. They know from the outset that our charges are fixed and will not increase even if they miss a payment or are late repaying their loan.

Above all, the service we provide is professional, friendly and personal. Our research also found that 68% of customers are satisfied with our service.

### New flexible products

As a part of our drive to deliver improved customer focus we have decided to roll-out what we call our flexible products. This is an evolution of our traditional product which provides our customers with additional choice and greater transparency by breaking down the price structure into individual elements (for example interest, administration and collection fees) and offering the choice of using our unique home service for repayments or using the traditional banking system. We have already successfully introduced this into Poland and Slovakia and following pilots in all our other markets we have decided to roll it out across all of them in 2009. This new product will replace the existing offering.

Our experiences in Poland and Slovakia clearly demonstrate that the majority of customers prefer the agent to collect their weekly instalments. We believe, however, that the new product offer will be appreciated by our customers and will greatly help others better understand home credit and the constructive role it plays in many people's lives.

We make all of our charges clear at the outset. There are no hidden surprises. The fact that we do not charge default penalties on the majority of our loans also means we can help customers through difficult times.

Customers who say our loan agreements are easy to understand

**86%**

Customers who say they are satisfied with our service

**68%**