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Homeloans Limited Interim Financials Results Investor Presentation

28 February 2017

Overview – Half Year to 31 December 2016

Well positioned for growth and diversification.

NPAT¹

\$5.6 million

NPAT¹

(Before merger transaction
and restructure costs)

\$8.2 million

Net Interest Income

\$40.3 million

Total Settlements

Growth of **9.8%**

Assets Under
Management

(Principally Funded \$5.8
billion and White Label
managed \$3.6 billion)

\$9.4 billion

- Merger with RESIMAC Limited completed October 2016
- Continued growth in settlements
- Investing in brand and distribution
- Strong broker origination sector
- Focus remains on:
 - Merger integration and synergy realisation
 - Growing distribution
 - Margin management
 - Expense management

¹ In accordance with the accounting treatment of the merger as a reverse acquisition, the results for the 6 months to 31 December 2016 reflect 6 months of RESIMAC Limited and the results of Homeloans from 13 October 2016 (2 ½ months).

1H2017 Financial Performance Summary

Solid underlying performance in a challenging lending market.

	1H2017 (\$'000) ¹	1H2016 (\$'000)	Increase / (Decrease)
Net Interest Income	40,264	31,943	26.0%
Operating expenses	31,674	22,862	38.5%
Operating expenses before transaction costs ²	28,080	22,862	22.8%
Net Profit after Tax	5,644	7,259	(22.2)%
Net Profit after Tax and before transaction costs	8,159	7,259	12.4%
Settlements Branded – Principally Funded (\$m)	1,096	981	11.7%
Settlements Branded – White Label Managed (\$m)	528	537	(1.7)%
Settlements Non branded – Broker Non Managed (\$m)	445	366	21.6%
Settlements Total (\$m)	2,069	1,884	9.8%

¹ In accordance with the accounting treatment of the merger as a reverse acquisition, the results for the 6 months to 31 December 2016 reflect 6 months of RESIMAC Limited and the results of Homeloans from 13 October 2016 (2 ½ months).

² After allowing for one off merger transaction and restructure costs of \$3.6m (pre-tax).

Business Overview

Combined Entity

Merger between RESIMAC Limited and Homeloans Limited creates a leading non-bank lending and multi-channel distribution business within Australia and New Zealand.

- Assets Under Management of \$9.4 billion
- Mortgage broker, direct and white label partner distribution channels
- Significant funding capabilities – long standing warehouse relationships for short-term funding, an established Australian and United States dollar funding platform and strong mezzanine funding relationships
- Well established white label arrangements with leading domestic banks
- A profitable organisation with diverse income streams – net interest margin on principally funded loans, trail income on managed loans and other fee income
- Proprietary servicing platform with an Standard & Poor's ('S&P') reaffirmed February 2017 'Strong' Servicer Ranking

Core Competencies

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DISTRIBUTION

Diversified and nationwide distribution supported by a proven team of business development managers and direct sales – winner Non-Bank of the Year 2016 (Mortgage Professionals Australia magazine).

PORTFOLIO

Quality team of experienced underwriters and arrears management professionals – lowest arrears in prime and specialist lending in the non-bank sector.

SERVICING

Proprietary servicing platform – reaffirmed as 'STRONG' for both prime and non-conforming by S&P in February 2017 and selected on S&P's Global Select Servicer List.

FUNDING

Long established funding platform – largest non-bank issuer in 2016. White label arrangements with domestic banks.

Merger Rationale

Strong commercial and strategic rationale for the merger:

- Improved access to capital due to increased scale and public listing:
 - Benefits of scale
 - Access to broader investor base for RESIMAC's funding programme
 - Access to equity capital
 - Broader distribution base
- Diversified income streams – net interest margin, trail income and other fee based income
- Cost and revenue synergies
- Vertically integrated business model

Progress to date:

- Fully integrated structure on track to be finalised end of March 2017
- Significant cost synergies achieved
- Both underlying businesses continue to flourish in terms of growth
- Funding platform under merged identity supported with initial debt issuance realised in November 2016

Business Key Activities

KEY ACTIVITIES

ORIGINATION

Homeloans

- Mortgage brokers
- Direct sales

State Custodians

- Online lender
- 100% owned

FINSURE

FINANCE AND INSURANCE

- Broker/mortgage aggregator
- 50:50 Joint Venture

Wholesale & Third Parties

- Mortgage managers
- Broking groups

Acquisition Growth

- Loan portfolios

SERVICING

Underwriting

- Loan applications
- Loan credit assessment
- Loan packaging

Loan Management

- Loan processing
- Customer service
- Variations
- Settlements

Arrears Management

- Collections
- Hardship
- Complaints
- Recoveries

Servicing managed by a fully integrated proprietary end-to-end loan servicing platform

FUNDING

Warehouse

- Short-term funding (364 days)
- Funding provided by banks



Residential Mortgage Backed Securities

- Medium term funding (3 to 5 years) – matched to mortgage profile
- Securitisation – grouping together of contractual, secured debt obligations such as home loans and repackaging as tradeable debt securities such as RMBS

OPERATIONS

Support Functions

- Shared services – IT/Finance/Tax/HR/Marketing
- Treasury
- Compliance
- Internal Audit
- Risk Management

Geographies

- Australia
- New Zealand

Note: Salary packaging and novated auto leasing services are also provided through 88% owned subsidiary Paywise Pty Ltd.

Funding Strategy

Warehouse funding:

Long standing banking partnerships ensure stable warehouse funding to support potential funding for acquisition opportunities:

	PRIME	NON-CONFORMING	RHG
Australia	<ul style="list-style-type: none"> ▪ National Australia Bank ▪ Westpac 	<ul style="list-style-type: none"> ▪ National Australia Bank ▪ Commonwealth Bank Australia 	<ul style="list-style-type: none"> ▪ National Australia Bank
New Zealand	<ul style="list-style-type: none"> ▪ Westpac 	<ul style="list-style-type: none"> ▪ Westpac ▪ Bank of New Zealand 	

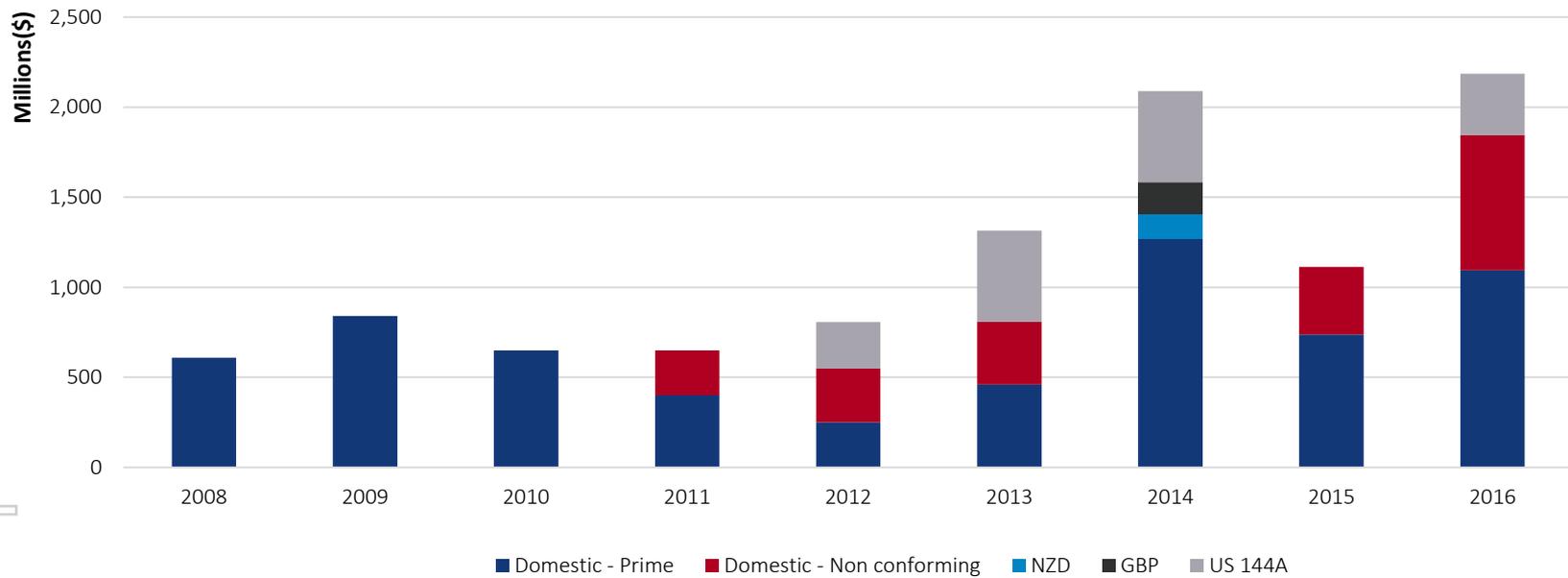
Securitisation as a source of funding:

- Securitisation is RESIMAC's medium term funding source
- Stand-alone issuance programmes:
 - Premier (Prime)
 - Avoca (Acquired collateral i.e. RHG)
 - Bastille (Non-conforming)
 - Versailles (New Zealand)
- Each loan approved by RESIMAC has the quality features necessary for securitisation
- Investor requirements on deal structures and comprehensive collateral reporting are considered critical
- Multi-jurisdictional funding capability

RESIMAC Issuance

- RESIMAC has issued over A\$20 billion since inception across 40 domestic and offshore Residential Mortgage Backed Securities transactions including:

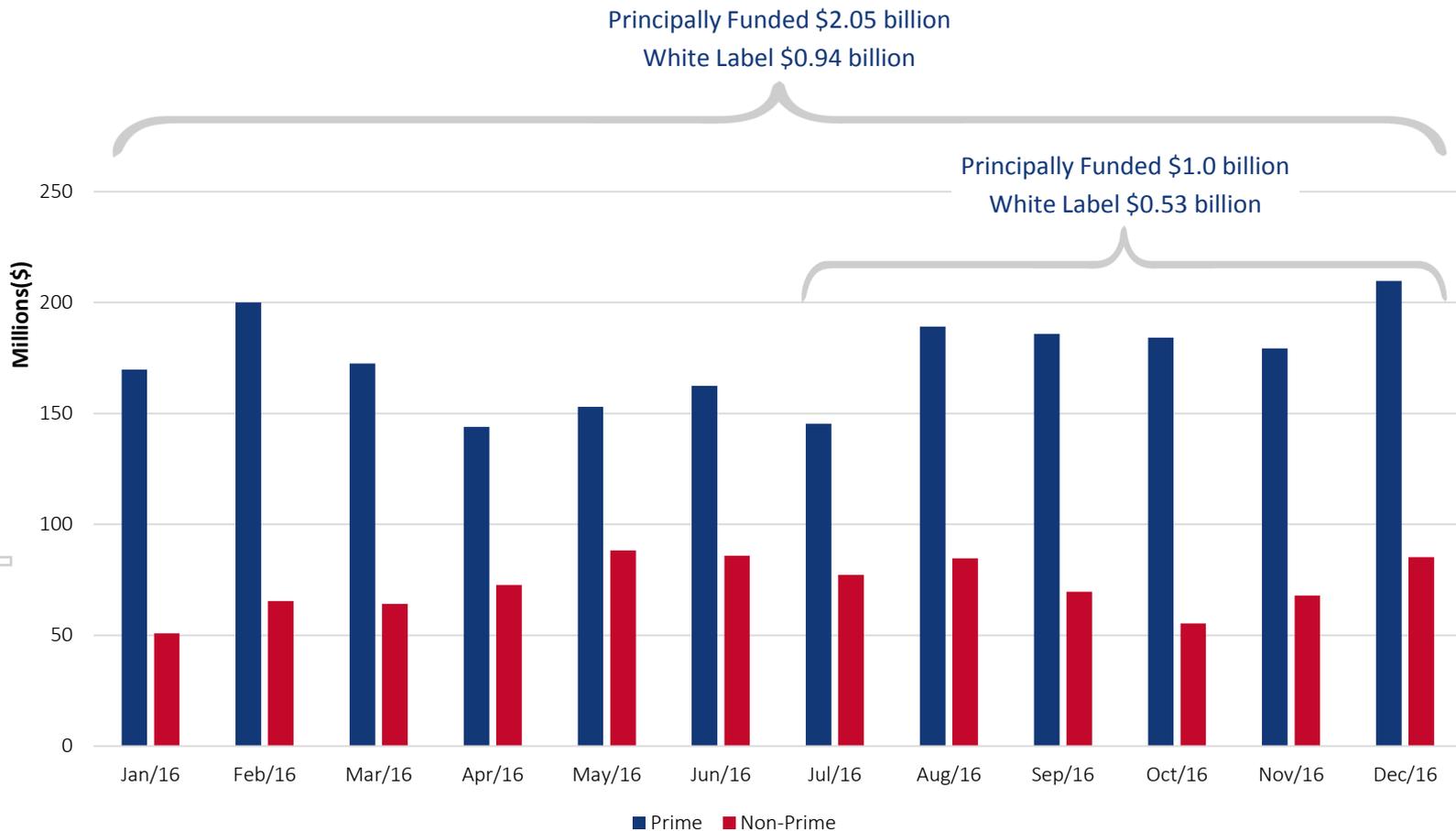
RESIMAC Issuance



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Origination Volumes

- Combined group Prime originations were \$2.1 billion over the previous 12 months
- Combined group Non-Prime originations were \$0.87 billion over the previous 12 months



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Strategic Focus / Outlook

- Continue to develop distribution network – broker, direct and white label
- Invest in process efficiencies across the business through automation, system and workflow improvements
- Expand and diversify the funding programme to include new markets and products and ensure access to debt capital
- Continue to assess acquisition opportunities in financial services
- Full realisation of merger potential

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Financials

Condensed Consolidated Statement of Profit or Loss

for the half-year ended 31 December 2016

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	CONSOLIDATED	
	Half-year ended	
	31 Dec 2016 ¹	31 Dec 2015 ¹
	\$'000	\$'000
Interest income	134,004	115,212
Interest expense	(93,740)	(83,269)
Net interest income	40,264	31,943
Fee and commission income	10,370	3,896
Fee and commission expense	(10,384)	(5,069)
Other operating income	628	618
Employee benefits expense	(17,510)	(13,959)
Other expenses	(14,164)	(8,903)
Share of profit from joint ventures	-	761
Loan impairment expense	(880)	(1,056)
Profit before tax	8,324	8,231
Income tax expense	(2,680)	(972)
Profit for the period	5,644	7,259
Profit attributable to:		
Owners of the parent	5,644	7,256
Non-controlling interest	-	3
	5,644	7,259

¹ In accordance with the accounting treatment of the merger as a reverse acquisition the comparative period profit and loss represents the results of RESIMAC Ltd for the 6 months ending 31 December 2016. The results for the 6 months to 31 December 2016 reflect 6 months of RESIMAC Ltd and the results of Homeloans from 13 October 2016 (2 ½ months).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2016

	CONSOLIDATED	
	Half-year ended	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Other comprehensive income, net of income tax		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Reversal of prior year reserve on trust wind up	(26)	(40)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Changes in fair values of cash flow hedges	(364)	425
Exchange translation of foreign operations	13	529
Other comprehensive income for the period, net of tax	(377)	914
Total comprehensive income for the period	5,267	8,173
Total comprehensive income attributable to:		
Owners of the parent	5,267	8,170
Non-controlling interest	-	3
	5,267	8,173

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Condensed Consolidated Statement of Financial Position

as at 31 December 2016

Assests	
Cash and cash equivalents	
Trade and other receivables	
Loans and advances to customers	
Other financial assets	
Derivative financial asset	
Property, plant and equipment	
Other assets	
Deferred tax assets	
Investments in joint ventures	
Intangible assets	
Total assests	
Liabilities	
Trade and other payables	
Current tax payables	
Interest-bearing liabilities	
Other financial liabilities	
Derivative financial liabilities	
Other liabilities	
Deferred tax liabilities	
Lease incentives	
Provisions	
Total liabilities	
Net assests	
Equity	
Share capital	
Reverse acquisition reserve	
Total issued capital	
General Reserves	
Retained earnings	
Equity attributable to owners of the parent	
Non-controlling interest	
Total equity	

CONSOLIDATED

31 Dec 2016 \$'000	30 Jun 2016 \$'000
203,148	161,494
7,540	3,082
5,835,902	5,245,317
64,316	443
51,550	45,998
1,544	930
3,983	5,080
-	4,828
1,173	1,173
22,069	1,331
6,191,225	5,469,676
26,552	23,062
2,469	2,022
5,978,757	5,349,193
28,688	-
4,934	5,214
3,242	4,321
4,623	-
100	-
5,004	3,528
6,054,369	5,387,340
136,856	82,336
174,762	134,157
(61,541)	(70,189)
113,221	63,968
(327)	42
23,965	18,329
136,859	82,339
(3)	(3)
136,856	82,336

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