

Annual General Meeting 2015

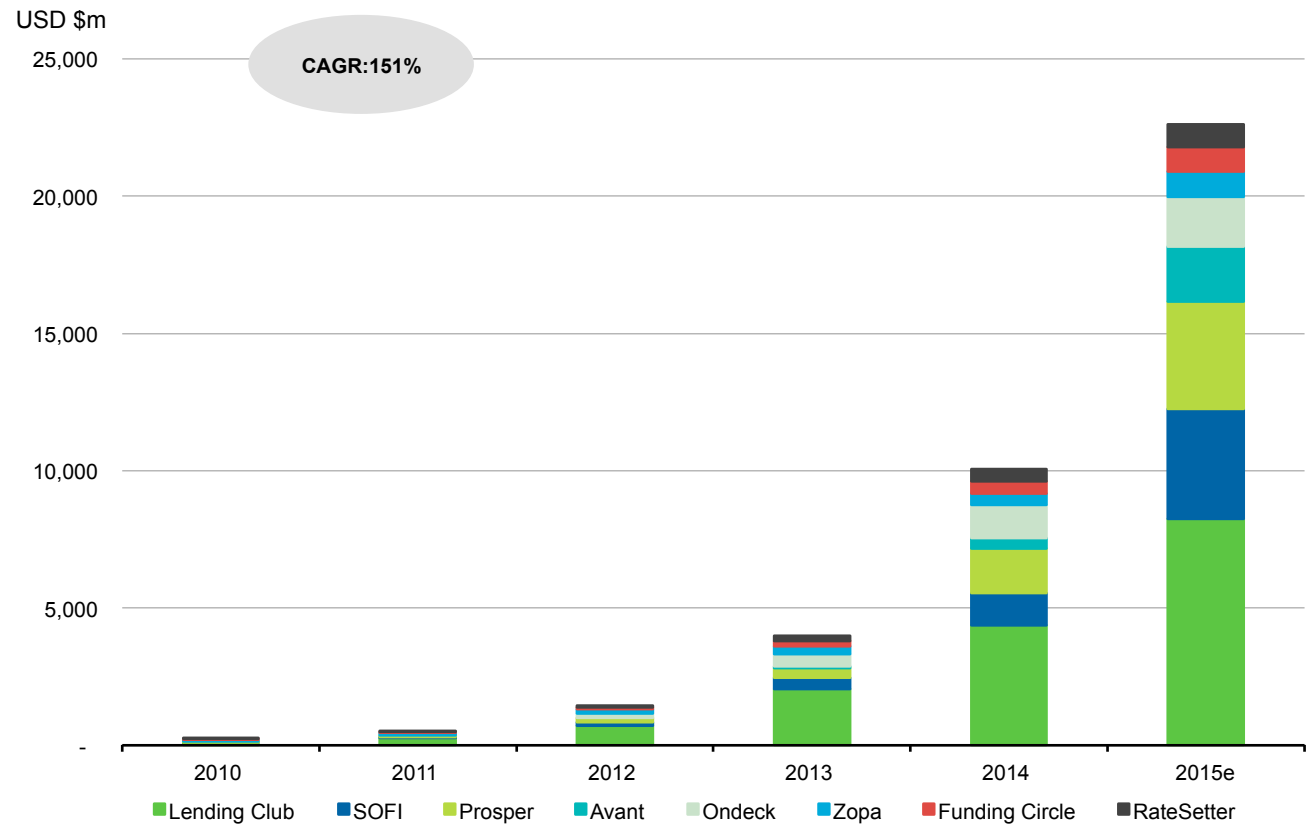
ASX: DM1

**Wednesday 18 November 2015
11.30am**

Global Marketplace Lending Growth

\$23bn of volume via 8 of the leading US & UK Marketplace Lending (MPL) platforms in 2015e* : 100x growth in 5 years

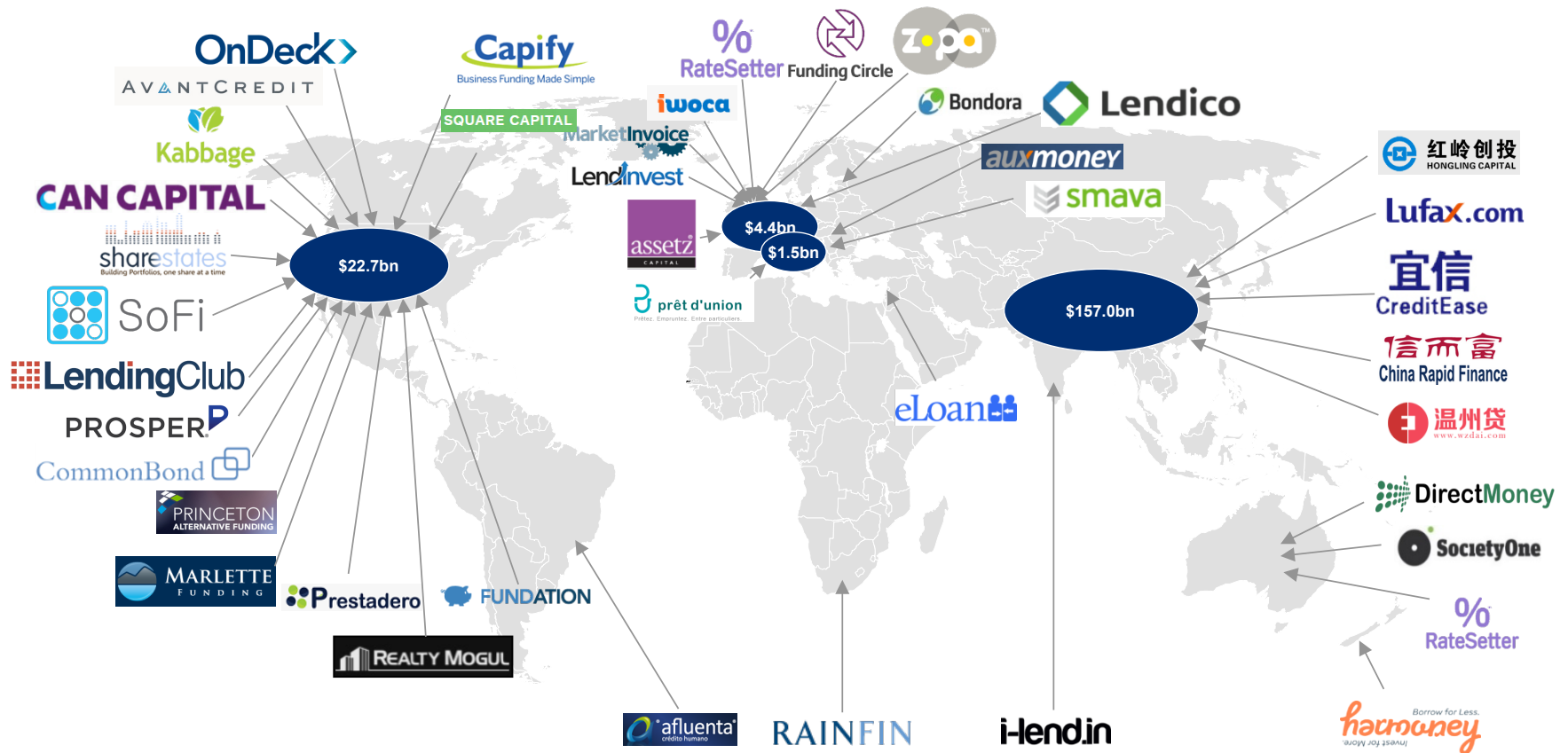
P2P volumes have grown at 151% CAGR since 2010



Source: Liberum Capital & AltFi Data, MPL Company websites

Marketplace Lending is a global phenomenon –
largest markets: China, US, and UK

\$ = 2015e annual gross volume



Source: www.WDZJ.com, AltFi Data, Company websites

3 key drivers underpinning sector long term sustainability...

Online credit data as good/better than bank data

- Ongoing unbundling of credit info ecosystem
- Online social data sources
- Enhanced credit data via Fin-Tech innovation



60% relative cost efficiency for smaller loan amounts

- Online Direct lenders (ODLs) are 60% more efficient than traditional lenders

Traditional Lender
Operating expense: 5-7%

Reserve Requirements
Branch Infrastructure
Customer Acquisition
Underwriting
Origination
Servicing

Marketplace Lenders
Operating expense: 2-3%

Technology and business model drive costs down

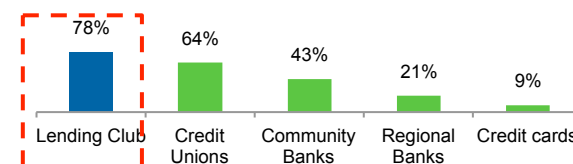


Customer Acquisition
Underwriting
Origination
Servicing

Improved User Experience

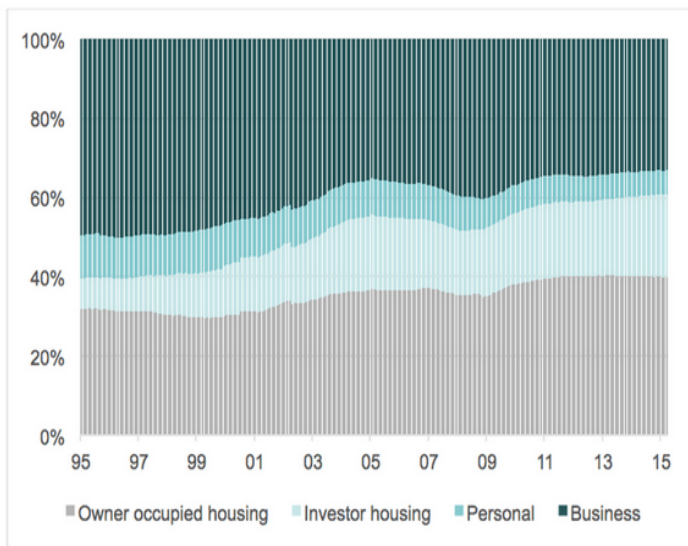
- MPLs are using technology to drive convenience and better user experience=> better Net Promoter Scores

Average net promoter score (NPS) – 1Q2015



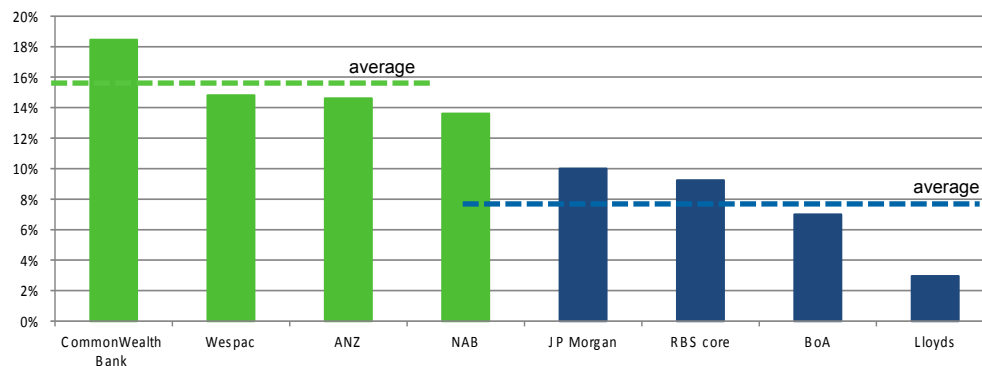
Big 4 Australian banks are currently an oligopoly – vulnerable to disruption

- Australian banks currently enjoy an oligopoly with an average RoE of **15.4%** in 2012/13 (international peers well below **10%**)
 - charging above average rates and fees
 - unsecured consumer lending is **3%** assets and **16%** of profits
 - however ...personal lending volumes are falling under tighter prudential rules

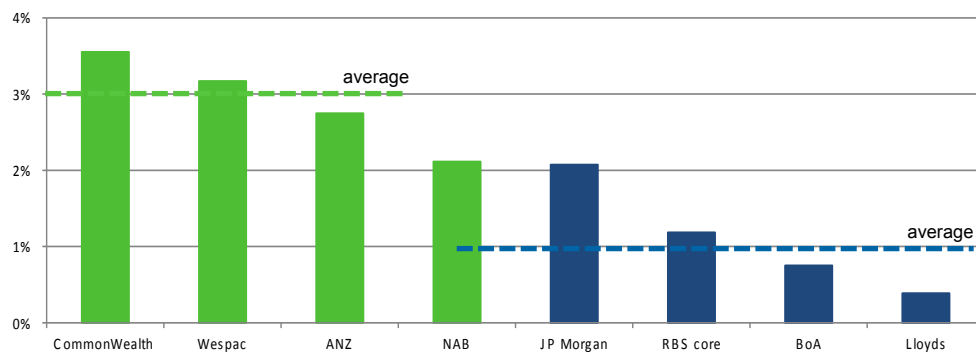


Source: RBA / AFR

Average RoE between 2012-2013



Average PBT as % of RWA between 2012-2013

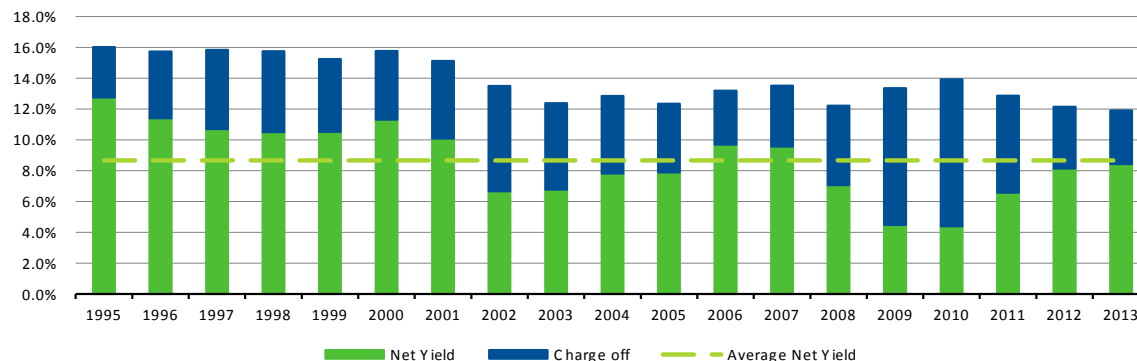


Source: Liberum

Consumer Finance Loans – attractive asset class ‘through-the-cycle’ in US, Australia (and elsewhere)

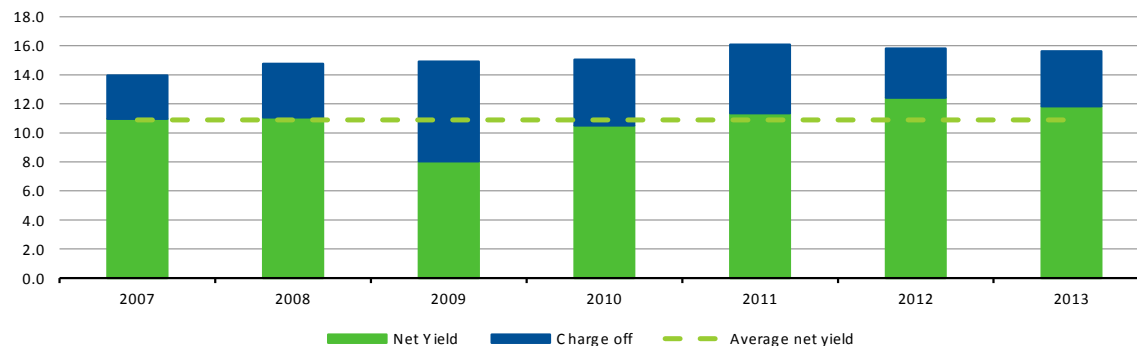
- In Australia since 2007:
 - the average net yield on Consumer loans is 10.9%
 - with a trough annual return of 8.0%
- Consumer finance returns are less volatile than SME

US Credit Card Historic Net Yields- Annual %



Source: Liberum, Bloomberg, Federal Reserve

Australia Consumer Loans: Historic Net Yield – Annual %



Source: RBA, Australia bank company data, Liberum estimates

Retail capital channels into Direct Lending are evolving...

Currently topical



Preliminary

	Classic P2P	Diversified Closed-End Investment Trust	Dedicated trusts for larger platforms	1-stop-shop P2P portal/ Offering convenient structured products
Description	P2P platform directly connecting with lenders	Listed Investment trust lending via multiple platforms	Dedicated listed Investment trust lending passively via one platform	Single account / product for retail investors
Example	e.g. Zopa	e.g. P2PGL / Ranger Direct Lending	e.g. LendInvest/ Funding Circle / Direct Money	Under development
Inception Date	2005	2014	2015e	Under development
Pros / cons for Investors	Pros: Low cost Cons: Time intensive	Pros: Diversified access Cons: Higher costs	Pros: Efficient access; accessible via brokerage account Cons: Less diversification	Pros: Convenience; diversified low cost, structured solutions Cons: Unavailable via security broker
Pros / cons for Platforms	Pros: Relatively low churn of lending capital Cons: Only likely to attract early adopters/ sophisticated investors	Pros: Increased access to funding especially for early stage platforms Cons: Funding can be easily diverted to other platforms offering better returns	Pros: Scalable permanent capital Cons: More difficult to attract capital initially for less established platforms – due to relative illiquidity	Pros: Access to broader retail mass market; equity ownership of portal Cons: More fluid funding than dedicated trust—contingent on performance

