

ASX RELEASE

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HOMELOANS FULL YEAR 2014 FINANCIAL RESULTS NPAT of \$6.2 million & Fully Franked Final Dividend of 2 cents

Homeloans Limited (ASX: HOM) (“Homeloans” or “the Company”) announces Full Year Financial Results for the 12 months ending 30 June 2014 (FY2014).

Highlights for FY2014

- Normalised NPAT of \$6.3 million, compared with \$6.7 million in FY2013;
- Homeloans-branded loan settlements increased 13.2% in the year; and
- Fully franked final dividend of 2 cents per share (full year, fully franked dividend of 5 cents per share).

The Company has achieved strong growth in Homeloans-branded loan settlements due to a significant increase in lending demand and as a direct result of the Company’s investment in both broker network and sales distribution capacities.

FY2014 Financial Performance Summary

	FY2014 (\$'000)	FY2013 (\$'000)	Change (%)
Net Interest Income	8,404	9,693	(13.2)%
Profit before Income Tax Expense	8,894	11,138 ¹	(20.1)%
Net Profit after Tax	6,205	7,736 ¹	(19.8)%
Normalised Net Profit after Tax	6,278 ²	6,688	(6.1)%
Earnings per Share (cents)	5.84	7.26 ¹	(19.6)%
Dividend per Share – Full Year	\$0.05	\$0.06	(16.7)%

¹ Includes the one off gain of \$1.5m pre-tax (\$1.0m after tax) from the sale of the Group’s investment in National Mortgage Brokers Pty Ltd in 2013

² Includes restructure and other non-cash items of \$0.1m after tax

CEO Comment

Homeloans’ CEO, Scott McWilliam, said: “This is a solid result, particularly in light of intense competition in the market, not least being discounting by the major banks. In addition, we experienced relatively high levels of refinance activities as borrowers took advantage of historically low interest rates.

“Year-on-year, we always focus on growing lending volumes and this year was no exception. We were especially buoyed by strong settlements in the second half of FY2014. However, continued market pressures impacted on margins, which, in turn, caused slightly reduced profit levels compared to FY2013.

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“The broader residential lending market has shown significant signs of improvement. Housing credit growth was 6.4% for FY2014. We have also grown our product offerings and sales force that service both third party brokers and direct retail customers with settlements in these channels growing by 12% and 17% respectively.

“In line with Homeloans’ strategy of being a home loan solution provider, the Company expanded its product suite in the second half of FY2014 with the launch of the *Homeloans Optima* product.

“During FY2014, branded loans under management increased 2.3% to be \$3.0 billion at year end. This reflected Homeloans’ ongoing dual focus on retention activities and on providing a competitive offering.

“The Company also continued to improve operating efficiencies, such as back office process improvements, to offset margin pressures in the market. As a result, the Company’s underlying operating expenses declined in FY2014 to \$14.9 million (\$16.2 million in FY2013). Lowering the Company’s cost base ensures we are able to remain customer orientated.”

Outlook for 2014

Stronger settlements volume in the last quarter of FY2014 indicates current market conditions will continue into the first half of FY2015. This momentum is particularly expected to grow in the eastern states, where Homeloans has recently bolstered the Company’s sales capacity.

Homeloans has a clear aim to grow and diversify the business. This will potentially include a focus on further enhancing product and service offerings across Homeloans’ third-party broker partners and direct retail networks.

“We also continue to pursue the expansion of our broker and direct retail distribution footprint, actively assessing inorganic growth opportunities across a range of complementary financial and property service providers,” said Mr McWilliam.

Enhancing brand recognition is integral for Homeloans. Following the successful sponsorship during the T20 Big Bash competition at the start of 2014, the Company has renewed its relationship with the Perth Scorchers again in 2015.

“Sponsorship of the Perth Scorchers increased our brand recognition with third party broker partners and we saw a material lift in traffic to the homeloans.com.au website,” Mr McWilliam added. “Homeloans will continue to leverage this sponsorship to build further relationships and retail market presence.”

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