

Homeloans Limited AGM 20 November 2015

Presentation / speech by Chairman Rob Scott

Ladies and gentlemen, welcome to the Homeloans AGM for the financial year 2015 - our 15th AGM as a listed entity in this, our 30th year of operation. My name is Rob Scott and I am your Chairman.

In opening the meeting could I introduce to you my Board Colleagues Rob Salmon and Michael Starkey as well as our CEO, Scott McWilliam, our CFO, Ian Parkes and our company secretary, Jennifer Murray.

Homeloans delivered another solid financial result for the year ending 30 June 2015 (FY15), recording a statutory net profit after tax of \$5.6m. The results for the year are testament to our strategy of providing solutions to mortgage customers across Australia, whether directly through our sales teams, or through the third party broker market. Importantly, the result reflects the continued resilience of the Company's earnings, despite intense competition in the market.

Total settlements for the year to 30 June 2015 were 14.9% up on the previous year. Pleasingly, Homeloans continued to grow the 'branded' loan book, with settlements up 23.7% to a milestone \$1bn for the year. This was a great result in our 30th year of operation, and it reflects the focus of the board and management in positioning the company to be responsive to opportunities in the mortgage market, with a particular focus on sales through third party mortgage brokers. The growth in branded loan settlements was a direct result of the Company's investment in sales distribution, brand development and funder partnerships, combined with favourable market conditions.

Despite stronger settlement volumes, revenue for FY15 was impacted by the ongoing run off of the Residential Mortgage Trust ("RMT") loan portfolio, as well as continued market pressures on new business margins.

The second half of the year also benefited from the acquisition of Barnes Mortgage Management Pty Ltd ("Barnes") in February 2015. This added \$0.5 million in Funds Under Management and access to a broader group of third party brokers through the Barnes brand.

One of our key areas of focus during the year was to grow and deepen the relationships within the third party market. This involved optimising relationships with our top supporting and high potential brokers. As well as investing efforts into nurturing these partnerships, we made a commitment to enhance productivity by increasing front line staffing levels and reviewing our on-boarding processes. As a result of these initiatives, as well as total branded settlement volumes through the third party channel increasing by 27.8% during FY2015, settlements from our top 100 brokers were 34.9% higher than in the previous period.

We also concentrated on the eastern seaboard market, which represents approximately 80% of new loan originations Australia-wide. Pleasingly, these efforts resulted in annual growth of 27.5% across New South Wales, Victoria and Queensland, including a 50.6% increase in NSW alone.

Total funds under administration, including the securitisation portfolio, increased to \$8.1 billion as at 30 June 2015, from \$7.6 billion as at 30 June 2014. These loan books continue to generate strong cash flows and underpin Homeloans' result.

Residual cash reserves continued to be underpinned by strong operating cash flows emanating from underlying earnings. This reflects the value of the ongoing annuity stream derived from the loan books under management, as well as the value of new settlements. Having previously had no recourse corporate debt facilities outside the securitisation arrangements, the company took the opportunity to take on a small corporate exposure to assist in the funding of the Barnes acquisition. The underlying cash earnings generated by the business and the Barnes portfolio will allow for the orderly repayment of this facility over time.

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The Board was pleased to declare a fully franked final dividend of 2.0 cents per share, bringing the total dividend for the year to 4.0 cents per share, fully franked. The Board recognises the importance to shareholders of maintaining a strong dividend in the current market.

Over the past financial year, the Australian home lending environment was particularly buoyant, aided by relatively low levels of interest rates and growth in real estate prices in many markets across the nation, despite consumer and business confidence levels remaining low and general economic conditions remaining flat. Leading into the 2016 financial year we saw the market move to differentiate pricing and credit approaches for certain segments of the mortgage market such as investor and interest only loans. Given Homeloans' diversity of funding relationships and breadth of product range, the Company remains well positioned to take advantage of the impact of these changes as they play out in the market. Pleasingly, settlements for the first quarter of the 2016 financial year have maintained their positive momentum from the second half of the 30 June 2015 year and are tracking in line with our expectations.

Importantly, Homeloans' diversified funding platforms provide an opportunity to grow our business and differentiate ourselves in the market in the face of these changing pricing and policy dynamics. Given these factors, as well as a continuation of a stable rate outlook, we expect the result for the first half FY16 to be broadly in line with the second half of FY15.

Our strategy remains unchanged – that is, to grow and diversify the business. This includes continuously assessing and enhancing product and service offerings across Homeloans' third-party broker partners and direct retail networks, as well as pursuing the expansion of our broker and direct retail distribution footprint, either organically or via acquisition. The volume of home loans originated by mortgage brokers continues to grow, and this channel now represents more than 50% of all new loans acquired in Australia. It is our view that this sector will continue to grow, and it therefore remains of key importance to Homeloans' distribution strategy.

The company continued to improve its national brand presence during the year through another successful year sponsoring the Perth Scorchers in the 2014 T20 Big Bash League. The ongoing relationship with the Scorchers provides an effective platform for national exposure of the Homeloans brand, particularly during the T20 competition. The Homeloans brand will shortly feature again as we approach the 2015 T20 Big Bash League.

In summary, we are proud of our achievements in FY15, in particular the growth and resilience of the relationships with third party brokers. We look forward to continuing to execute our business strategies over the coming 12 months - strategies that will support two outcomes for your Company. Firstly, to remain a home loan solutions provider that represents a very real, respected and refreshing alternative to the major banks for home finance and, secondly, our evolution as a unique ASX listed offering that provides investors with a clean exposure to the residential property finance and service sectors with an attractive return.

In closing, I would like to take this opportunity to thank my fellow Directors and the staff of Homeloans Limited for their ongoing commitment and efforts throughout the year.

Thank you. I will now move to the formal meeting.