

ASX RELEASE

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HOMELOANS HALF YEAR 2016 FINANCIAL RESULTS

NPAT up 4.9% to \$2.8 million & Fully Franked Interim Dividend of 2 cents

Homeloans Limited (ASX: HOM) ("Homeloans" or "the Company") announces Half Year Financial Results for the six months ending 31 December 2015 (HY2016).

Highlights for HY2016

- Branded (managed) settlements of \$612 million up 23% on previous corresponding period ("PCP");
- Branded (managed) settlements up 22% on H2 FY2015 which included 4 month contribution from Barnes;
- NPAT of \$2.8 million up 4.9% on PCP;
- Normalised NPAT \$2.9 million up 10.7% after allowing for one off costs (\$0.2m pre tax)
- Basic EPS of 2.62 cents up 5% on PCP; and
- Interim dividend of 2 cents per share (fully franked).

The HY2016 result reflected strong growth in Homeloans-branded loan settlements, which allows the Company to again return cash to shareholders via a fully franked interim dividend of 2 cents per share. Branded loans under management increased 2.8% to \$3.9 billion at 31 December 2015. The non branded loan portfolio reduced slightly to \$4.2 billion, resulting in the total portfolio remaining steady at \$8.1 billion.

The Homeloans business continues to perform strongly despite changes to the regulatory landscape during the period which impacted segments of the mortgage market, such as investor and interest only loans. Recent industry fragmentation, which has seen lenders moving to differentiate on policy and pricing, has benefited Homeloans given its diversified funding base.

Homeloans' CEO, Scott McWilliam, said: "We are pleased with the level of settlements growth and profit uplift, which has again allowed us to declare a dividend for shareholders. With so many lenders adopting pricing and policy changes for particular mortgage products, our diversified funding base has allowed us to capitalise on these changes."

HY2016 Financial Performance Summary

	1HY2016 (\$'000)	1HY2015 (\$'000)	Change (%)
Net fee and commission income	8,297	7,344	13.0%
Net Interest Income	3,745	3,974	(5.8)%
Operating expenses ¹	(8,148)	(7,629)	(6.8)%
Profit before Income Tax Expense	3,985	3,788	5.2%
Net Profit after Tax	2,762	2,632	4.9%
Settlements Branded – (managed)	\$612m	\$497m	23.1%
Settlements Non branded – (non-managed)	\$366m	\$382m	(4.2)%
Settlements Total	\$978m	\$879m	11.3%
Dividend per Share – Half Year	\$0.02	\$0.02	-

¹ After allowing for the full half year impact of the Barnes acquisition (\$0.4m pre tax) which occurred in Feb 2015 and one off restructure and other costs of \$0.2m(pre tax), operating expenses were down 1.0% on the PCP

Brand Recognition

Enhancing brand recognition continues to be integral to Homeloans' marketing plan. The sponsorship of the Perth Scorchers again in the 2016 T20 Big Bash has provided an effective platform for national exposure of the homeloans.com.au website and Homeloans brand.

Homeloans' CEO, Scott McWilliam, said: "Our sponsorship of the Perth Scorchers has significantly enhanced our brand recognition with third party broker partners and their customers and we are pleased with the level of national coverage this relationship has again provided."

Outlook for 2016

Homeloans remains in a strong position, with the positive trend in submission and settlement activity continuing into the second half of FY2016.

Homeloans has a clear aim to grow and diversify the business with a focus on further enhancing product and service offerings across the Company's third-party broker partners and direct retail networks. The Company recently launched its new Homeloans Envizion product to further expand the breadth of mortgage product offerings.

We remain actively focused on enhancing our product and service offering to capture more market share, while also pursuing targeted inorganic growth opportunities.

For further information:

Scott McWilliam

CEO

Homeloans Limited

(02) 8267 2000

Media

Lisa Llewellyn

Llewellyn Communications

0419 401 362

Ian Parkes

CFO

Homeloans Limited

(02) 8267 2005

Investor Relations

Matthew Gregorowski

Citadel MAGNUS Investor Relations

02 8234 0105