

Firstfolio Limited

Annual General Meeting 2014



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All references to dollars, cents or \$ in this presentation are to Australian currency unless otherwise stated.

Agenda

- Introductory remarks - Eric Dodd, Chairman
- FY2014 Review - Eric Dodd, Chairman
- Operational Strategy - Peter Andronicos, CEO
- Outlook - Peter Andronicos, CEO
- Formal Business - Eric Dodd, Chairman

FY2014 Review

Eric Dodd, Chairman



FY2014: Platform for growth

- Mortgage activity improved but market remains highly competitive
- Despite healthy activity industry margins constrained with banks continuing to dominate the mortgage market and non-banks remaining under pressure
- Settlements up strongly with strong growth in aggregation and broking (eChoice)
- Loan book continues to deliver healthy cash flows in line with expectations
- Significant recurrent cost reductions in recent years, supporting investment in IT systems, product development and marketing, to drive revenues

FY2014: Platform for growth

- Management changes; recapitalisation; and warehouse facility renewal impacted business partners and one-off costs but our partnerships are strong
- Debt refinancing in late FY14 removes uncertainty and allows focus on growth
- Appointment of Peter Andronicos to CEO reflects strategy to pursue growth in the broking, aggregation and digital business
- Name change to eChoice Limited to reflect strategic direction (proposed)

Strong growth in core business

Performance indicators	FY14	FY13	Result	Importance
Settlements growth				
<i>Firstfolio total</i>	15.0%	(16.6%)	Improved	FY14 Market growth 20.1% - ABS
<i>Aggregation and broking</i>	23.1%	(5.3%)	Improved	
Loan book				
<i>Size</i>	\$18.2b	\$18.9b	Declined	FY14 Market growth 6.1% - RBA
<i>Run off</i>	(3.7%)	(4.9%)	Improved	
Operating costs	\$18.9m	\$19.6m	Improved	Delivering on strategies

- Overall settlements up 15% to \$3.2 billion
- Wholesale settlements down sharply on corporate uncertainty
- Aggregation and broking settlements up 23.1% ahead of market¹ growth of 20.1%
- eChoice Academy's Graduate Program launched and operating with early successes
- Increase in appointments for brokers and strengthened partnerships
- Loan book decline reflects anticipated run off of acquired loan books
- More than 15% reduction in total annual operating costs over the last two years

¹ Market growth 20.1% - ABS Table 11 Housing Finance Commitments to June 2014

² Total housing credit outstanding per RBA D02 Lending and Credit Aggregates to June 2014

FY2014 results

Statutory	FY 2014	FY 2013	△
Revenue	\$78.6m	\$82.0m	- 4%
Gross margin	\$24.3m	\$29.7m	- 18%
Operating EBITDA	\$5.4m	\$10.2m	- 47%
NPAT	(\$4.1m)	\$1.3m	-
NPV trail movement	(\$5.9m)	(\$5.0m)	- 15%
Impairment & transaction costs	(\$4.2m)	-	

Cash Basis ¹	FY 2014	FY 2013	△
Cash revenue	\$87.6m	\$97.2m	- 10%
Cash gross margin	\$30.1m	\$34.7m	- 13%
Cash operating EBITDA	\$11.2m	\$15.1m	- 26%
Cash NPAT	(\$0.2m)	\$4.8m	-
Cash from operations B/T	\$7.8m	\$10.1m	- 23%

Statutory
V
Cash

*variance is due to
NPV accounting
adjustment for
recognition of
future net trail
commission*

- Future Statutory NPAT is expected to be negatively impacted due to NPV adjustments
- Net debt reduced by \$5.7 million, which reflects solid operating cash flow and reduced overheads

¹ Cash NPAT and Cash Operating EBITDA exclude the impact of the accounting policy for the recognition of future trail commission income and expense.

Refinancing allows focus on growth

- Firstfolio successfully reduced and restructured its debt
 - Net debt was reduced by \$5.7 million from operating cash flows
 - CBA debt facility and senior notes restructured via new \$58.2 million Welas Facility which extends the maturity of FFF senior debt to 2016
 - Recently, Westpac renewed the Company's Warehouse Facility for a further year
- ACE / IZN recapitalisation proposal, while approved by shareholders, was terminated due to IZN failing to meeting its obligations
 - Consequently, \$1.9 million in capital raising costs were written off in FY14
 - These include costs for legal advice, independent expert, shareholder meeting
- The debt reduction and restructuring provides Firstfolio with significant financial flexibility to focus on growth of the business

Leadership for growth

- Peter Andronicos appointed as CEO
 - previously General Manager of eChoice
 - redeveloped eChoice's strategy and digital presence and introduced performance based marketing partnerships, resulting in increased customer interaction, retention and sales for eChoice
 - recognised by the industry and peers for achievements over the past 12 months, including:
 - ✓ 'Boutique Aggregator of the Year' in the Australian Broking Awards
 - ✓ 'Aggregator/Originator of the Year (Retail & Wholesale)' in the MFAA Awards
 - ✓ Finalist for 'Mortgage Broker of the Year' at the Australian Banking and Finance Awards
- Dustine Pang, currently Chief Financial Officer and Company Secretary, appointed as Deputy CEO

Operational Strategy

Peter Andronicos, CEO



Five year target for growth

Brand

Be the innovative market distributor of choice of financial products and services to brokers, clients and partners

Focus

Capitalise on existing technology, investing where required, to double settlement volumes over the next five years, and create incremental revenue streams through partnership and technology

Results

Stabilise operating performance, transition to a sustainable capital structure and maximise the opportunities to create shareholder value

Strategic priorities

Brand

- Position eChoice as the innovative market distributor of financial products and services

Sales and marketing

- Empower our existing broker networks and distribution partners
- Build the next generation of brokers

Innovation

- Identify and target niche markets with a superior product and service offering for brokers and partners

Product

- Capitalise on competitive advantage – technology, people and process

Returns

- Maximise return on assets
- Generate new revenue streams
- Move to sustainable capital structure

People + Process = Profit

Enhancing and building the brand

Brand

Expand on eChoice's market position as the innovative market distributor of financial products and services

- Continue to build on eChoice's 15 year history as an innovative technology-focussed leader in the distribution of financial products & services to the mortgage industry
- Proactively engage market participants including lenders, brokers, investors, competitors
- Change of name to eChoice Limited to leverage eChoice's successful brand name and industry recognition

eChoice - the partner of choice

Sales and marketing

Sales and Marketing

Empower our broker networks and distribution partners, and build the next generation of brokers

- Access to market leading technology platforms and tools
- Broker Graduate Programme
- Broker succession planning

Building the Brokers of the Future

 *Innovative*

 *Digital*

 *Mobile*



Innovation

Innovation Identify and target niche markets with a superior product and service offering for brokers and partners

- Sales innovation through the application of technology and a proven operating model to generate leads
- Example: announcement of FirstHomeBuyers.com.au

Broker Tools – Business Enablers

Data = Knowledge = Opportunity



Funder Summary

Funder Code	Funder Name	Headline	%
001	001	001	00%
002	002	002	00%
003	003	003	00%
004	004	004	00%
005	005	005	00%

Product Summary

Product Code	Product Name	Headline	%
001	001	001	00%
002	002	002	00%
003	003	003	00%
004	004	004	00%
005	005	005	00%

Previous Quarter (Amounts are averages)

Loan Details	Loan Amount	Interest Rate	Loan Term	Loan Status	Loan Date
001	001	001	001	001	001
002	002	002	002	002	002
003	003	003	003	003	003
004	004	004	004	004	004
005	005	005	005	005	005

Data = Knowledge = Empowerment

Product and financial performance

Product

Capitalise on competitive advantage – technology, people and process

- Proven business model for lead generation
- Broker education and development
- Recognised industry leading tools

Financial Returns

Maximise return on existing assets and generate new revenue streams

- Lead generation – non mortgage
- Loan book management
- Move to sustainable capital structure

Our growth platform



Partners

Technology and Innovation

Partner programs

Online enquiry and lead generation



Process

People and Technology

Pre qualification platform

Conversion team



Distribution

People, Technology and Innovation

Qualified client and broker bookings

Graduate program

Broker succession planning and development



Product

Product and Technology

Product selection and servicing

Niche product provider (Warehouse)

Delivery

Technology and Innovation

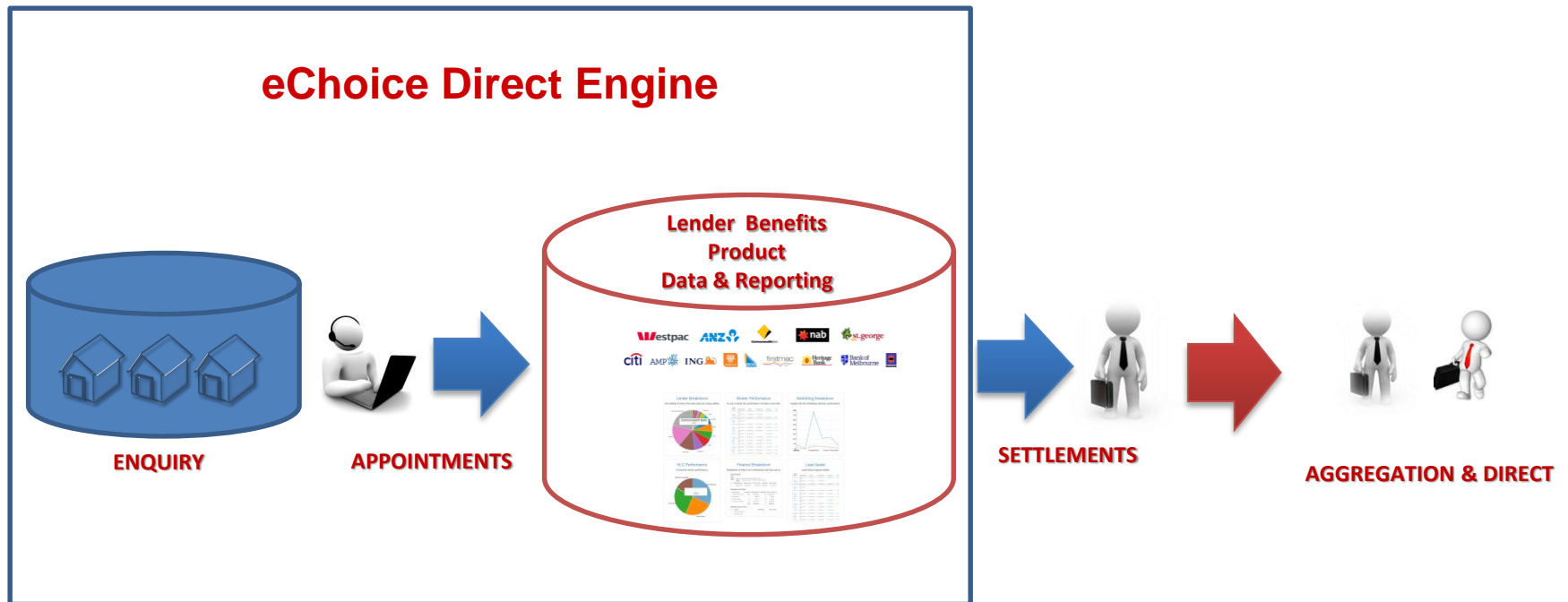
Reporting and analysis

Data warehouse and mining



Partnerships and lead generation

A market leading production line to originate, qualify, manage and report on any fulfilment process

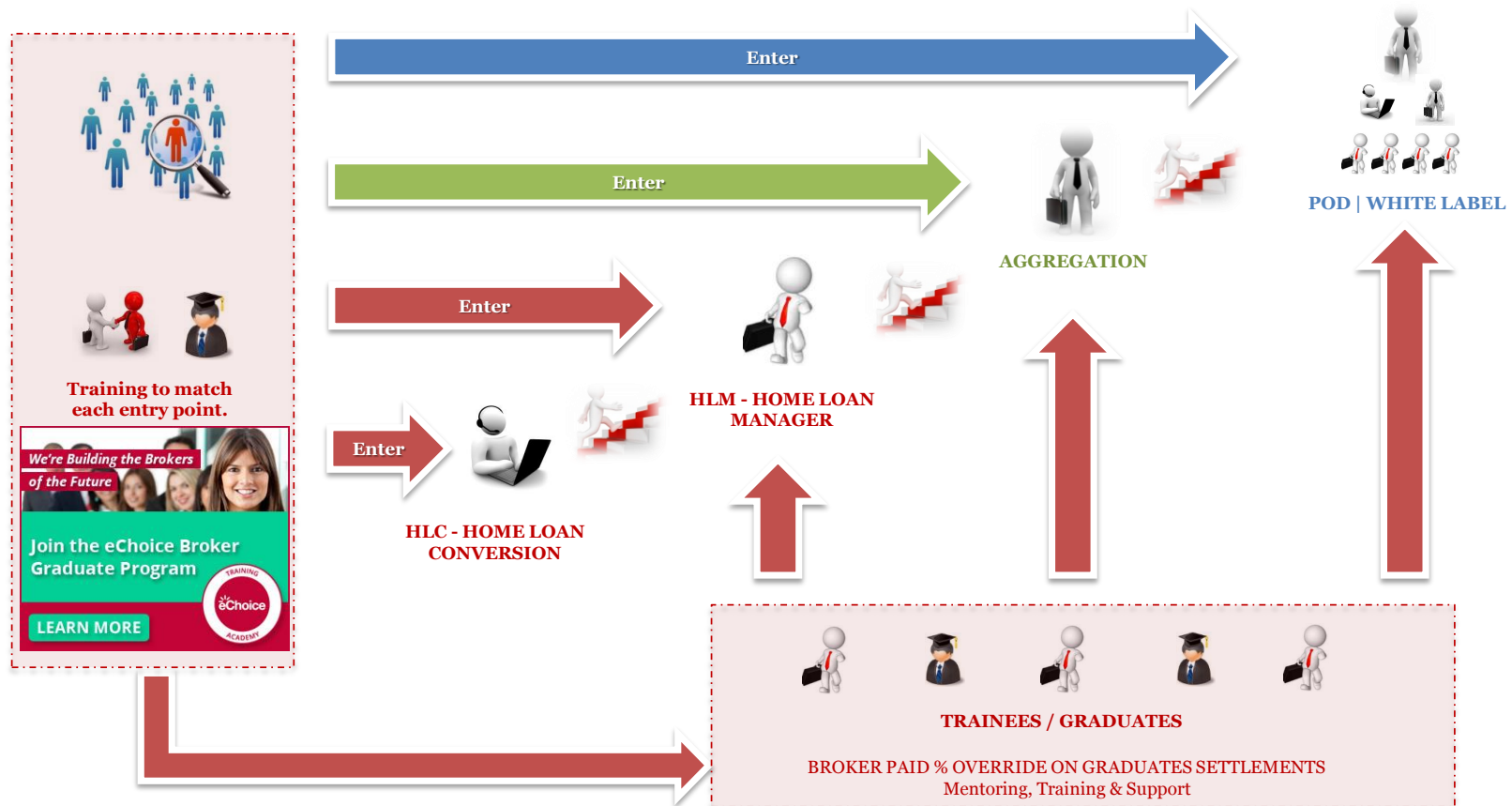


Lead Management | Qualification | Process Improvement | Pricing - Product & Visibility | Enabling Improved Performance

eChoice Academy: growing leaders



Training core 'job ready' skills and processes that enable long term success



eChoice Academy: the future of broking

- Succession planning facilitator
- Tested program
- Proven results
- Includes Broker Boot Camp at the eChoice Training Academy

LIMITED SPACES


Join Our Broker Boot Camp at the eChoice Training Academy

6 WEEKS
Broker Boot Camp
Begin with our 6 week Broker Boot Camp, which is full time intensive training at our Sydney office. You'll join like-minded graduates in an engaging learning environment.

12 WEEKS
Broker Practical
During the next 6 weeks, you'll have the opportunity to apply new knowledge and skills in the real world as you start to receive qualified client appointments from our industry leading, lead generation programs.

12 MONTHS
Graduation
At 12 months you'll graduate as a full-fledged eChoice Home Loan Manager, with your own database and pipeline, not to mention the backing and support of the eChoice team.

24 MONTHS
Mentoring & Workshops
We're always in touch: receive ongoing training and invitations to participate in business optimisation workshops, and the ongoing support of an experienced MFAA qualified mentor over the 24 months.



Building the Brokers of the Future

 **Innovative**

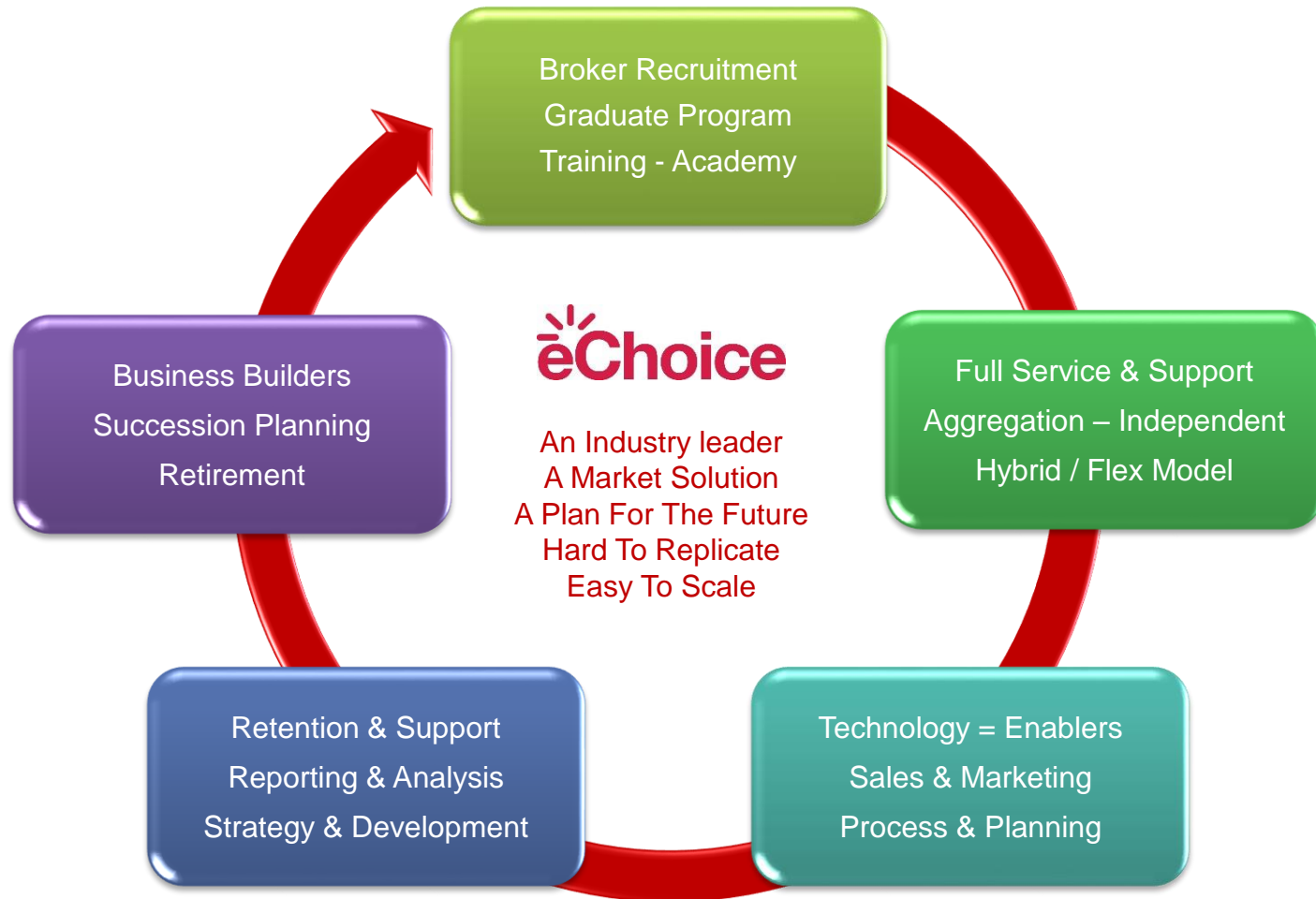
 **Digital**

 **Mobile**





A model for growth



Outlook

Peter Andronicos, CEO



Outlook

- FY14 financial performance impacted by market conditions and lack of resolution of capital restructure, affecting customer confidence
- New leadership, strategy and energy
- Targeting market leadership in the distribution of financial products and services
- Further operational efficiencies and responding to growth opportunities
- Loan book to provide strong cash flows to support growth of the business and further reductions in borrowings
- Ongoing negative NPV adjustments will continue to impact Statutory NPAT and cash NPAT is expected to improve with lower one-off expenses
- Immediate funding resolved and strategy in place to improve capital structure over time in order to maximise growth potential and shareholder returns
- Firstfolio is in a stronger position to benefit from improved market conditions

FIRSTFOLIO LIMITED

ANNUAL GENERAL MEETING OF SHAREHOLDERS

CHAIRMAN'S ADDRESS

Opening remarks

Good morning my name is Eric Dodd, the Chairman of Firstfolio and Chair of this Annual General Meeting. I am pleased to welcome you to the Annual General Meeting and thank you for your attendance today and continued support of the Company.

I would also like to introduce CEO Peter Andronicus, Directors Michael Hogg, Tony Wales and David Walker, and Dustine Pang, who is the deputy CEO, CFO and Company Secretary.

Also present today is Philip Hardy, who is a partner of Deloitte Touche Tohmatsu, the Company's auditor.

I advise the meeting that a quorum is present and the Annual General Meeting is properly constituted.

The Company's Notice of Annual General Meeting was been sent to all shareholders on 28 October 2014 and a copy of the Annual Report for the year ended 30 June 2014 was sent on 20 October 2014 to those

shareholders who requested a hard copy of the Annual Report. I propose that we take the Notice of the Meeting as having been read.

Are there any objections?

[No], I therefore take the Notice of Meeting as read.

[If there is an objection, the Notice of Meeting should be read out.]

As Chairman of the Annual General Meeting, the Constitution of the Company authorises me to conduct the Annual General Meeting and set such procedures for the conduct of the General Meeting as I determine are necessary. I am also authorised to call for the cessation of debate or discussion on any resolution and call for the resolution to be put to a vote.

I will exercise my role as Chairman impartially and allow a reasonable opportunity for all views in relation to the Resolutions to be articulated to the Annual General Meeting. Nevertheless, I reserve the right as Chairman of the Meeting to set such procedures as I deem necessary for the proper and orderly conduct of the Meeting.

I remind you that only shareholders, proxy holders or other authorised representatives are entitled to address the Annual General Meeting.

Slide 3 – Agenda

Today, I would like to begin with some introductory remarks about the company and a brief overview of its performance for the 2014 financial year. Our new chief executive officer Peter Andronicos will then go into more detail on business operations, strategy, and the outlook for Firstfolio, before I move onto the formal business of the meeting. There will be an opportunity for shareholders to ask questions specifically in relation to these addresses when we ask you to consider the company accounts in our first item of business.

Slide 4 – FY2014 Review

Ladies and gentlemen,

Firstfolio faced significant challenges during the year but there were also a number of important achievements. Your company is now on a stronger financial footing as a result of the work we have done during that time.

Shareholders should also take comfort that your company is run by an experienced management team and owns valuable underlying businesses and brands that are positioned favourably in healthy and growing markets.

Slide 5 – FY2014: Platform for growth

The market for residential mortgages remains highly competitive. Settlement volumes in the industry remain healthy, but heavy competition, dominated by the big banks, is restricting margins. This impacted the performance of non-bank lenders during the year, which includes our wholesale mortgage business.

Firstfolio's eChoice aggregation and broking platform, which markets loans from both Firstfolio and the banks, performed well given this backdrop. Our \$18.2 billion loan book continues to generate strong cashflows.

At the same time, we continued our strong focus on cutting costs, which enabled us to make new investments in the areas that drive higher revenues.

Slide 6 – FY2014: Platform for growth (continued)

We faced some short term financial and strategic challenges in FY14, around the financing of our balance sheet and changes to senior management, but I am pleased to report that these are now behind us.

Importantly, our partnerships are strong and the leadership team, led by our newly appointed CEO, Peter Andronicos, is actively implementing strategies to grow shareholder value, leveraging the leading market and brand position of our eChoice business.

In line with this strategic direction of the business, we propose to change the company name to eChoice Limited, to better reflect our position in the market and the direction of the company. This change will need to be approved by shareholders in due course.

Slide 7 – Strong growth in core business

Turning to the key indicators of the performance of our business in FY14, the volume of new loan settlements grew by 15% over last year to \$3.2 billion. While wholesale settlement volumes were adversely impacted by market forces and uncertainty relating to the lengthy recapitalisation process early in the year, in the broker and aggregator channel, we grew settlements by a very strong 23.1% on the prior year. This represents the highest settlement growth rate in three years, which is very encouraging and above system growth of 20.1%.

During the year, we undertook a number of initiatives to strengthen our position in the mortgage broker market. In particular, we launched the eChoice Academy Graduate Program. This intensive program seeks to educate and foster young entrants into the mortgage and finance broking industry, providing them with the core skills to succeed as an eChoice Broker. This initiative, along with others, is already having a tangible impact on strengthening our broker partnerships and increasing appointment numbers.

Our \$18.2 billion loan book declined marginally last year due to the anticipated run off of loan books we had acquired, but the cashflow generated by this enabled us to reduce our debt during the year. We also made further progress in our drive to reduce operating costs.

Slide 8 – FY2014 results

Disappointingly, our statutory results for FY14 were down on the previous year. The result was impacted by a reduction in wholesale settlement volumes, NPV accounting adjustments for net trail commissions and one-off or non-cash items.

Firstfolio generated annual revenue of \$78.6 million, a decline of 4% on the prior year, and operating EBITDA of \$5.4 million, down 47%. In comparison, Cash Operating EBITDA was \$11.2 million, down 25.7% on FY13 which was in line with guidance previously provided to the market.

The net loss after tax of \$4.1 million resulted from a mix of one-off and non-cash expenses. These included the recognition of capital raising costs of \$1.9 million and an intangibles impairment charge of \$2.3 million. There was a \$1.8 million decrease in net interest margin earned by our wholesale mortgage provider Firstfolio Capital and a \$1 million deterioration, compared to the prior year, in the adjustment to the net present value (NPV) of future trail commissions from our loan book.

This movement in NPV is driven by a number of factors including changes in the composition of the loan book, the rate of loan book run off, net commission margin, and the settlement mix. In FY14, settlements of lower margin broker-originated loans grew faster than settlements of higher margin wholesale loans.

Statutory net profit after tax is expected to continue to be negatively impacted by this reduction in NPV.

Notwithstanding these accounting items, our performance on a cash basis remains robust. Our continuing healthy operating cash flows and the reduction in overheads has allowed Firstfolio to both reduce net debt and reinvest in growth initiatives.

Slide 9 – Refinancing allows focus on growth

Despite the difficulties we faced during the year with restructuring the company's balance sheet, the outcome was ultimately positive.

During the year we reduced our net debt by \$5.7 million and our senior debt was restructured and the maturity profile increased. Recently, our warehouse funding facility for new loans was also renewed.

Our new funding arrangements are now firmly in place and have fully addressed any short term funding issues. Firstfolio also now has the

flexibility to raise further capital on favourable terms in order to fund new growth and further reduce our gearing.

Slide 10 – Leadership for growth

The change of management, now complete, gives the company a clear strategic direction and puts us on a promising path.

We were delighted to announce in October 2014 the appointment of Peter Andronicos as Firstfolio's chief executive officer after considering both internal and external candidates in a formal search process. Peter succeeds Mark Flack, who we thank for his contribution to the business.

Peter's industry experience and his success at building the eChoice platform into a market leader made him a natural choice to pursue the company's technology-focused business strategy.

Since joining Firstfolio in 2009, Peter has redeveloped eChoice's strategy and digital presence and introduced performance based marketing partnerships. He has also developed white label mortgage systems and products to increase affiliate and partner value propositions. All of these have resulted in increased customer interaction, retention and sales for eChoice.

The work of Peter and his team was recognised last year when eChoice won the Australian Broking Awards 'Boutique Aggregator of the Year' award and the Mortgage and Finance Association of Australia 'Aggregator of the Year' award. eChoice was also a finalist in the category of "Mortgage Broker of the Year" at the Australian Banking and Finance Awards.

Peter is ably assisted in his new role by our new Deputy CEO Dustine Pang, who is also Firstfolio's Chief Financial Officer and has the day-to-day leadership of the Group's wholesale funding and lending activities.

At this point I would like to hand over to Peter Andronicos to talk to you more about the business and our strategy for growth.

Slide 24 – Outlook – Peter Andronicos, CEO

Our financial results were affected in FY14 by difficult market conditions, particularly in wholesale, and funding uncertainty which affected customer confidence. Our statutory financial results are expected to continue to be negatively impacted by NPV accounting adjustments

We have now cleared important hurdles including refinancing the business, reducing costs and debt levels.

We are now in a position to leverage the strengths of the eChoice brand – our products, people and technology – to take better advantage of the improving conditions in the mortgage market, while pursuing new growth opportunities as they arise.

While competition is expected to remain strong in mortgages we expect the volume of settlements to improve and we continue to pursue operational efficiencies.

Our cashflows are expected to remain healthy due to the run off of older and higher margin loans, supporting options to increase shareholder value.

We are well positioned to benefit from healthier Australian mortgage market conditions and improve our capital structure in the medium term to maximise our growth potential and shareholder returns.