

20 July 2016

Homeloans enters into a Scheme Implementation Agreement with RESIMAC Limited to create one of Australia's largest non-bank lenders

Key highlights

- Homeloans has entered into a Scheme Implementation Agreement with RESIMAC Limited, under which Homeloans will merge with RESIMAC through the issue of new Homeloans shares to RESIMAC shareholders and the acquisition by Homeloans of all of the shares in RESIMAC (the "Transaction") (together, the "Merged Group")
- The Transaction creates a leading non-bank lending and multi-channel distribution business in Australia and New Zealand with a combined loan portfolio in excess of \$13 billion and combined new annual originations exceeding \$3 billion in the 12 months to 30 June 2016
- Through the addition of a combined strong, and internationally respected, internal securitisation capability with a 20-year program, and expanded retail channel and third party channel distribution model, the Transaction will result in a vertically integrated business model for the Merged Group
- The Transaction is expected to be transformational for Homeloans with a number of revenue and operational synergies identified
- Mr. Warren McLeland (current Executive Chairman and Chief Executive Officer ("CEO") of RESIMAC) to be appointed as Managing Director of the Merged Group with Mr. Scott McWilliam (current CEO of Homeloans) to be appointed Joint Deputy Managing Director along with Ms. Mary Ploughman (RESIMAC's Executive Director of Securitisation)
- The Directors of Homeloans unanimously recommend shareholders vote in favour of the Transaction, subject to no superior proposal emerging and an independent expert determining that the Transaction is in the best interest of Homeloans shareholders
- Homeloans Shareholders to approve the Transaction at an Extraordinary General Meeting to be held in early October and RESIMAC Shareholders to approve the Transaction via a court approved scheme of arrangement ("Scheme"), with implementation scheduled to occur in late October 2016

Overview

Homeloans Limited (ASX: HOM) is pleased to announce it has today entered into a Scheme Implementation Agreement ("SIA") with RESIMAC Limited ("RESIMAC") which provides for the implementation of a scheme of arrangement under which Homeloans will merge with RESIMAC.

RESIMAC is a non-bank financial institution which has been operating in the Australian market for 30 years and more recently within New Zealand. RESIMAC provides branded and third-party lending products through a variety of distribution channels and has a loan book in excess of \$5 billion as at 30 June 2016.

Under the Transaction, RESIMAC shareholders will receive all scrip consideration, through the issue of 285,380,042 new ordinary Homeloans shares.

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It is expected that upon completion of the Transaction, existing RESIMAC shareholders will hold 72.5% of the Merged Group and existing Homeloans shareholders will hold 27.5% of the Merged Group.

Homeloans Chairman, Mr. Robert Scott, said, “entering into binding documentation in relation to the Transaction represents a significant step forward in the realisation of Homeloans’ growth strategy and, in the Board’s opinion, delivers the best solution for all stakeholders.”

Further details of the strategic rationale for pursuing the proposed Transaction are set out below.

Strategic Rationale for the Transaction

The Homeloans Board believe that there is a strong commercial and strategic rationale for the proposed merger. Specifically, the Board believe that the Transaction will provide Homeloans with:

- greater scale and expertise;
- improved growth opportunities;
- greater product manufacturing capabilities;
- enhanced access to securitisation markets; and
- a broader distribution platform for mortgage and other products.

Commenting on the strategic rationale, Homeloans Chairman Mr. Robert Scott said “Homeloans and RESIMAC have highly complementary businesses and strategies; Homeloans has a strong brand in the Australian mortgage industry and a national distribution network, while RESIMAC has well established securitisation, product manufacturing and development capabilities.”

The Merged Group will create a leading non-bank lending and distribution business in Australia and New Zealand with a loan portfolio exceeding \$13 billion.

The Transaction will bring together the Homeloans brand, existing wholesale funding arrangements, and third party broker relationships with RESIMAC’s established and well regarded securitisation capabilities, strong product development and distribution channels.

Mr. Scott said “this allows the Merged Group to have both a strong and diversified distribution and funding capability which will allow it to pursue additional growth opportunities in the Australian and New Zealand markets and be in a more robust position to manage any future changes to the regulatory environment.”

Board and Management

The Merged Group will benefit from a highly experienced Board and senior executive team that draws upon the collective skills and expertise of RESIMAC and Homeloans.

The Board of the Merged Group will consist of two directors appointed by Homeloans and three directors appointed by RESIMAC.

Further, it is proposed that a new independent Chairman will be appointed soon after completion.

Mr. Warren McLeland, RESIMAC’s existing CEO, will be appointed as Managing Director of the Merged Group. Mr. McLeland joined the Board of RESIMAC in 1999 and was appointed CEO in mid-2000. He has over 30 years’ extensive experience in domestic and international financial services, including mortgage

banking, securitisation and stockbroking. He was previously a Senior Managing Director with Chase Manhattan Bank and has served on a number of listed and unlisted Boards.

Mr. McLeland said “we are delighted to be merging with Homeloans and the Transaction presents a compelling value proposition for shareholders through combining RESIMAC’s funding capabilities with Homeloans distribution expertise, as well as providing synergies through the integration of the businesses’ operations.”

Upon completion of the Transaction, it is proposed that the Board of the Merged Group will be composed as follows:

- Independent Chairman (to be appointed);
- Mr. Warren McLeland, Managing Director;
- Mr. Robert Scott, Non-Executive Director;
- Mr. Robert Salmon, Non-Executive Director;
- Mrs. Susan Hansen, Non-Executive Director; and
- Mr. Michael Jefferies, Non-Executive Director.

Mr. Scott McWilliam and Ms. Mary Ploughman will be appointed Joint Deputy Managing Directors. Ms. Ploughman is currently an Executive Director at Resimac and leads RESIMAC’s securitisation activities, in addition to managing the New Zealand business and inorganic growth.

Key Shareholders upon Transaction completion

RESIMAC’s major shareholder, Ingot Capital Management Pty Ltd (“Ingot”), will hold 57.3% of the Merged Group upon completion.

Board recommendation and voting intentions

The Board of Homeloans unanimously recommends that Homeloans shareholders vote in favour of all resolutions to effect the Transaction at an EGM to be held in October.

Each Director of Homeloans intends to vote all the Homeloans shares held or controlled by them in favour of the Transaction. Further, the Board has received confirmation that entities associated with Ms. Carol Holmes and Mr. Noel Kagi will vote in favour of the Transaction.

The Board’s recommendation and voting intentions, as well as those of the entities associated with Ms. Carol Holmes and Mr. Noel Kagi, are subject to no superior proposal emerging and an independent expert determining that the Transaction is in the best interest of Homeloans shareholders.

Homeloans’ Board reached its unanimous recommendation after extensive discussions and negotiations with RESIMAC in relation to its proposal. Chairman, Mr. Robert Scott said, “The management team has spent a considerable amount of time in discussion with RESIMAC, a company we know well given our established relationship. Based on the compelling strategic rationale for bringing these two businesses together and the significant growth opportunities this will provide, as well as the excellent cultural fit, the Board is firmly of the view that the Transaction represents an attractive value proposition for shareholders.”

Option provided by certain Homeloans shareholders

The Board of Homeloans also understands that certain Homeloans shareholders have granted RESIMAC an Option to acquire shares held by these Homeloans shareholders representing 19.9% of Homeloans issued capital. The Option may be exercised by RESIMAC in the event of certain circumstances, including the receipt of an offer by a third party to acquire all of the shares in Homeloans.

FY16 Final Dividend

The Board of Homeloans expects to declare a final dividend of two cents per share prior to the completion of the Transaction, but in any event no later than 31 October 2016.

The payment of any dividend is subject to certain conditions as outlined in the Scheme Implementation Agreement.

Details of the Scheme Implementation Agreement

As part of the merger, Homeloans will acquire all shares in RESIMAC pursuant to a scheme of arrangement under section 411 of the Corporations Act between RESIMAC and the holders of RESIMAC Shares. Existing RESIMAC shareholders will also be issued new Homeloans Shares as scheme consideration.

The implementation of the Transaction is subject to a number of customary conditions including the approval of Homeloans' shareholders at the EGM, the RESIMAC shareholders at the Scheme Meeting and the Federal Court and there being no material adverse change or prescribed occurrence in relation to either RESIMAC or Homeloans.

The SIA contains customary exclusivity provisions for the benefit of RESIMAC in relation to Homeloans including no shop and no talk restrictions, a notification obligation and a matching right, subject to the Homeloans directors' fiduciary obligations. The SIA also details circumstances under which a break fee may be payable to RESIMAC, or a reverse break fee payable to Homeloans.

Full details of the conditions to the Scheme and other agreed terms are set out in the SIA, an executed copy of which follows this announcement.

Indicative Timetable and Next Steps

An indicative timetable of key dates in relation to the Transaction is set out below.

Homeloans shareholders do not need to take any action at the present time.

An Explanatory Booklet containing among other things information relating to the Transaction, reasons for the Directors' unanimous recommendation, a notice of meeting containing details of the EGM and the Independent Expert's report will be sent to shareholders in due course.

Implementation of the Transaction is anticipated by late October 2016, however this remains subject to change, including in relation to the timing of shareholder approvals and the satisfaction of other conditions of the Scheme.

Event	Date
Homeloans full year 2016 preliminary final results	17 August 2016
First Court hearing to approve Scheme Booklet and convene Scheme Meeting	Early September 2016
Explanatory Booklet despatched to Homeloans shareholders and Scheme Booklet despatched to RESIMAC shareholder	Early September 2016
EGM for Homeloans shareholders and Scheme Meeting for RESIMAC shareholders	Early October 2016
Second Court hearing to approve Scheme	Early October 2016
Implementation of Transaction	Late October 2016

Homeloans has appointed Moelis Australia Advisory Pty Ltd as financial adviser and K&L Gates as legal adviser.

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About Homeloans

Homeloans has been a Non-Bank Lender, securitised funder and mortgage manager to the Australian market since 1985, specialising in home loans. We have been listed on the Australian Securities Exchange (ASX) since 2001, and today our major shareholders include National Australia Bank and Macquarie Bank. We specialise in home loans, and have a wide range of products to meet the needs of all types of customers, from first home buyers to investors.

Homeloans distributes loans through the third party broker market, through Homeloans branded mortgage brokers and direct to the consumer through its online presence.

Homeloans currently operates nationally with offices in all mainland state capital cities and nationally has accredited third party brokers capable of selling Homeloans loans.

Homeloans has a loan book in excess of \$8 billion as at 30 June 2016.

Homeloans is listed on the ASX under the code HOM.

About RESIMAC

RESIMAC is a non-bank financial institution which has been operating in the Australian market for over 30 years. RESIMAC has established itself as a leader in the Australian and New Zealand mortgage industry,

providing a diversified and superior financial service offering covering a broad range of branded and third-party lending products through a variety of distribution channels including:

- State Custodians (wholly-owned online, direct-to-consumer lender);
- Finsure (joint venture, Australia's fastest growing mortgage aggregator);
- Paywise (salary packaging solutions provider); and
- various third parties mortgage providers (including Homeloans).

RESIMAC has an extensive and successful history in originating, servicing and securitising mortgage assets with a fully vertically integrated business model. RESIMAC holds a strong servicer ranking with Standard and Poor's and is on the global select servicer list, reflecting the strong quality of the underlying servicing.

RESIMAC's funding platform has provided an efficient means to fund the business model, with RESIMAC enjoying the support of the investor community globally with repeat investors from many different jurisdictions.