Homeloans Limited

ACN 095 034 003

Notice of Extraordinary General Meeting to be held on 11 October 2016

Explanatory Memorandum for the Notice of Extraordinary General Meeting

VOTE IN FAVOUR

Your Directors unanimously recommend that you vote in favour of the Resolutions, in the absence of a Superior Homeloans Proposal or the Independent Expert adversely changing its conclusion[1]

The Independent Expert is of the opinion that the **Transaction is not fair but reasonable to, and is in the best interests of, the Shareholders**, in the absence of a superior proposal

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING TO BE HELD AT LEVEL 32, 44 ST GEORGES TERRACE, PERTH WESTERN AUSTRALIA AT 9 AM (AUSTRALIAN WESTERN STANDARD TIME) ON TUESDAY 11 OCTOBER 2016

TO BE VALID, FORMS OF PROXY FOR USE AT THE EXTRAORDINARY GENERAL MEETING MUST BE COMPLETED AND RETURNED TO THE COMPANY NO LATER THAN 9AM (AUSTRALIAN WESTERN STANDARD TIME) ON 9 OCTOBER 2016

[1] This includes where the Independent Expert does not conclude, or ceases to conclude, or adversely changes its previously given opinion, such that the Transaction is no longer in the best interests of the shareholders of Homeloans, except where an Alternative Homeloans Proposal is made.

Table of Contents

Section A – Chairman's Letter	**1**
Section B – Notice of Extraordinary General Meeting	**4**
Section C – Explanatory Memorandum	**7**
Section D – Glossary	**88**
Annexure A – Independent Expert's Report	**95**
Annexure B – Scheme Implementation Agreement	**178**

Proxy Form enclosed

8 September 2016

Dear Shareholder,

On behalf of the Board, I have the pleasure of inviting you to an Extraordinary General Meeting of the members of Homeloans Limited (**Homeloans** or **Company**) which will be held at Level 32, 44 St Georges Terrace Perth Western Australia on Tuesday 11 October 2016 at 9 am (Australian Western Standard Time).

The Notice of Meeting and Explanatory Memorandum are enclosed. Please read these documents carefully.

Scheme Implementation Agreement

As announced on Wednesday 20 July 2016, Homeloans has entered into a Scheme Implementation Agreement with RESIMAC Limited (**RESIMAC**) to implement a proposal for a merger of Homeloans and RESIMAC. As part of the proposed merger, Homeloans will acquire 100% of the shares in RESIMAC pursuant to a scheme of arrangement between RESIMAC and its shareholders (**the Scheme**), and shareholders of RESIMAC will be issued new shares in Homeloans as consideration (the **Transaction**) (together, the **Merged Group**).

Further information in relation to the Scheme is set out in the Scheme Implementation Agreement in Annexure B of the Explanatory Memorandum.

The Proposed Transaction

Subject to Shareholder approval of Resolution 1 at the Extraordinary General Meeting by Shareholders, and a number of other Conditions Precedent to the Implementation of the Scheme (set out in clause 3 of the Scheme Implementation Agreement in Annexure B) including approval of the Scheme by RESIMAC Shareholders, Homeloans will issue 12.84 new Shares for each RESIMAC Share on issue as at the Record Date (**Scheme Consideration**) to the RESIMAC Shareholders, in return for the RESIMAC Shareholders' RESIMAC Shares.

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

As a result of the Transaction, Ingot Capital Management Pty Limited (**Ingot**), RESIMAC's largest shareholder, will acquire voting power of 57.3% in the Shares of the Company.

However, Ingot and Somers have entered into the Somers Deed under which Ingot has granted a call option to Somers to purchase all of the RESIMAC Shares that Ingot holds (**Somers Option**). Somers' present intention is to exercise the Somers Option. and Somers is in the process of obtaining the relevant approvals to do so. However, there is no guarantee that these approvals will be obtained. If the Somers Option is exercised and Somers or its Nominee acquires Ingot's RESIMAC Shares prior to the Record Date of the Scheme, Somers will become RESIMAC's largest shareholder and acquire voting power of 58.9% of the Shares in the Company, as a result of the Transaction.

Rationale for and benefits of the Transaction

The Board believes that there is a strong commercial and strategic rationale for the proposed merger. Specifically, the Board believes 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.

The Merged Group will create a leading non-bank lending and distribution business in Australia and New Zealand with a portfolio including $5.4 billion in principally funded assets, $3.8 billion in loans under management, $4.1 billion in loans under administration and combined new annual originations exceeding $3 billion in the 12 months to 30 June 2016. 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.

Completion of the Transaction

Completion of the Transaction is conditional on the passing of Resolution 1 set out in the attached Notice of Meeting, and approval of the Scheme by RESIMAC Shareholders as well the other Conditions Precedent of the Scheme set out in clause 3 of the Scheme Implementation Agreement at Annexure B of this Explanatory Memorandum.

The terms of the Transaction are summarised in the Explanatory Memorandum.

Recommendation of the Directors

Mr. Robert Scott, Mr. Robert Salmon and Mr. Michael Starkey are the Directors of Homeloans.

The Directors:

- **unanimously recommend that Shareholders vote in favour of the Resolutions set out in this Explanatory Memorandum; and**
- **intend to cause the Shares in which they have a Relevant Interest (see section 3.25 for details of Shares held by the Directors) to be voted in favour of the Resolutions,**

subject to a Superior Homeloans Proposal or the independent expert engaged by Homeloans ceasing to conclude, or adversely changing its conclusion, such that the Scheme is no longer In The Best Interests of Homeloans Shareholders. For further information, refer to clause 8.3 of the Scheme Implementation Agreement in Annexure B. Full details of the key reasons for your Directors' recommendation of the Transaction are set out in section 6.8 of this Explanatory Memorandum. As with all transactions of this nature, the Transaction also has risks, and these are set out in section 5.11, 5.12, and section 5.13 of this Explanatory Memorandum.

Opinion of the Independent Expert

Shareholders are referred to the Independent Expert's Report prepared by Grant Thornton (**Independent Expert**). The Independent Expert was commissioned by the Directors to provide an opinion as to whether or not the Transaction and the issue of the Scheme Consideration is fair and reasonable to the Shareholders.

The Independent Expert has concluded that the Transaction is not fair but reasonable to the Shareholders of Homeloans. In the absence of a Superior Homeloans Proposal, the Independent Expert is of the opinion that the advantages of the Transaction outweigh the disadvantages and accordingly, believes that it is in the best interests of the Shareholders to vote in favour of the Transaction. The Independent Expert's Report is set out in Annexure A of this document.

Shareholder approvals

The Company is required by the Corporations Act to obtain shareholder approval in order to implement the Transaction. The approval is identified in full in the Notice of Meeting under Resolution 1, and the Explanatory Memorandum.

Your vote is important in determining whether or not the Transaction proceeds. If the Transaction is not approved at the Extraordinary General Meeting by the relevant approvals, the Transaction will not be implemented.

Further Information

Further information in relation to the Transaction is contained in the Explanatory Memorandum, including reasons for your Directors' recommendation to vote in favour of the Transaction. I encourage you to read this Explanatory Memorandum in its entirety, and to attend the Extraordinary General Meeting and vote on the Resolutions. A Proxy Form is enclosed to enable any Shareholder who is unable to attend the Extraordinary General Meeting to vote at the meeting.

Should you wish to discuss this notice of meeting or have any questions in relation to any part of the Transaction, please contact Ms Jennifer Murray, Company Secretary on +61 8 9261 7035 on weekdays between 8:30am and 5:30pm (Australian Western Standard Time). You should also seek your own independent professional advice.

On behalf of your Directors, I would like to thank you for your continued support of Homeloans. Your Directors believe that the proposed Transaction with RESIMAC is in the best interests of Shareholders, as set out in this Explanatory Memorandum. I look forward to your participation in the Extraordinary General Meeting.

Yours sincerely

Robert Scott
Non-Executive Chairman
Homeloans Limited

Section B – Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Shareholders of Homeloans Limited ACN 095 034 003 will be held at the offices of Level 32, 44 St Georges Terrace Perth Western Australia on Tuesday 11 October 2016 at 9am (Australian Western Standard Time).

Defined terms used in this Notice of Meeting have the meanings given to them in the Glossary in Section D accompanying this Notice of Meeting.

BUSINESS

1. Resolutions

Approval of issue of Scheme Consideration:

Resolution 1:

Shareholders are asked to consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That for the purposes of item 7 of section 611 of the Corporations Act and all other purposes, approval is given for the issuance by Homeloans of the Scheme Consideration to the Scheme Shareholders pursuant to the Transaction, and the acquisition by any person of a Relevant Interest in Shares as a consequence of Ingot, or alternatively Somers or its Nominee, or any of their Associates, in the event that the Somers Option is exercised, being issued with Shares pursuant to the Transaction, on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting"

Board Composition Resolutions:

Resolution 2:

Shareholders are asked to consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That subject to the passing of Resolution 1, approval is given that Mr Warren McLeland, a nominee of RESIMAC, is appointed as a director of the Company, with effect from the Implementation Date of the Scheme, subject to his having provided consent to act as director".

Resolution 3:

Shareholders are asked to consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That subject to the passing of Resolution 1, approval is given that Ms Susan Hansen, a nominee of RESIMAC, is appointed as a director of the Company with effect from the Implementation Date of the Scheme, subject to her having provided consent to act as director".

Resolution 4:

Shareholders are asked to consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That subject to the passing of Resolution 1, approval is given that Mr Michael Jefferies, a nominee of RESIMAC, is appointed as a director of the Company with effect from the Implementation Date of the Scheme, subject to his having provided consent to act as director".

2. Voting exclusion statement

Resolution 1

The Company will disregard any votes cast on Resolution 1 by:

(a) Ingot or its Associates and, if the Somers Acquisition has taken place, Somers or its Nominee or its Associates; and

(b) a person who might obtain a benefit, except a benefit solely in the capacity as a Shareholder of the Company, if Resolution 1 is passed, and an Associate of any such person.

The Company notes that Ingot and Somers do not hold any Shares in the Company as at the Preparation Date.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert at Annexure A for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the Shareholders in the Company.

3. Votes not to be disregarded in certain circumstances

Notwithstanding the voting exclusion statements set out in paragraph 2 above, the Company will not disregard a vote on the Resolutions if it is cast by:

(a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Determination of membership and voting entitlement

For the purpose of determining a person's entitlement to vote at the Extraordinary General Meeting, a person will be recognised as a member of the Company and the holder of Shares if that person is registered as a holder of those Shares at 9:00 am (Australian Western Standard Time) on 9 October 2016, being 48 hours prior to the Extraordinary General Meeting.

5. Votes of members

On a show of hands, each member present in person or by proxy or, in the case of a body corporate, by a corporate representative at the Extraordinary General Meeting shall have one vote.

On a poll, every member present in person or by attorney or by proxy or, in the case of a body corporate, by a representative shall have one vote for each Share held by him, her or it provided that all Shares are fully paid.

6. Proxies

Please note that:

(a) a member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint no more than two proxies;

(b) an instrument appointing a proxy must be in the form of the Proxy Form attached to this Notice of Meeting;

(c) where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If a member appoints two proxies, and the appointment does not specify the proportion of the member's voting rights, each proxy may exercise one-half of the voting rights;

(d) a proxy need not be a member of the Company;

(e) a proxy form may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where the proxy form so provides, the proxy is not entitled to vote on the Resolution except as specified in the proxy form;

(f) a proxy has the authority to vote on the member's behalf as he or she thinks fit, on any motion to adjourn the Extraordinary General Meeting, or any other procedural motion, unless the member gives a direction to the contrary;

(g) a valid proxy form will be deemed to confer authority to demand or join in demanding a poll;

(h) to be valid, a proxy form must be signed by the member or the member's attorney or, if the member is a corporation, executed in accordance with the corporation's constitution and the Corporations Act (and may be signed on behalf of the corporation by its attorney); and

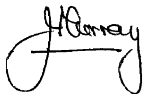
(i) to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be received by no later than 9:00 am (Australian Western Standard Time) on 9 October 2016:

by the Company:

Online:	At www.investorvote.com.au
By mail:	Share Registry – Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia
By fax:	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
By mobile:	Scan the QR Code on your proxy form and follow the prompts
Custodian Voting:	For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

A form of proxy accompanies this Notice of Meeting.

By order of the Board



Jennifer Murray
Company Secretary

Dated: 8 September 2016

Section C - Explanatory Memorandum

1. Introduction

This Explanatory Memorandum has been prepared to assist Shareholders of the Company in understanding the business to be put to Shareholders for their consideration at the forthcoming Extraordinary General Meeting on 11 October 2016.

Section 2 of this Explanatory Memorandum sets out the background to the Resolutions; section 3, 4 and 5 set out information in relation to the Company, RESIMAC and the Merged Group; section 6 sets out additional information associated with the Transaction; and section 7 sets out further information relating to the Resolutions.

Capitalised terms and certain abbreviations used in this Explanatory Memorandum have the defined meanings set out in the Glossary in Section D of this Explanatory Memorandum. Each of the documents reproduced in the annexures to this Explanatory Memorandum has its own defined terms, which are sometimes different from those in the Glossary.

2. Background to Resolutions

2.1 Scheme and Transaction

As detailed in the Company's recent announcement, the Company entered into the Scheme Implementation Agreement with RESIMAC on 20 July 2016, 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**).

RESIMAC Shareholders will hold 72.5% of the Merged Group and existing Homeloans shareholders will hold 27.5% of the Merged Group.

As a result of the Transaction, Ingot, RESIMAC's largest shareholder, will acquire voting power of 57.3% in Homeloans Shares. If the Somers Option is exercised, Somers will acquire voting power of 58.9% in Homeloans Shares.

Somers' present intention is to exercise the Somers Option and Somers is in the process of obtaining the relevant approvals to do so. However, there is no guarantee that these approvals will be obtained.

Reasons for proposed Transaction

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.

Recommendation of the Directors

The Directors:

(a) unanimously recommend that shareholders vote in favour of the Resolutions set out in this Notice of Meeting and Explanatory Memorandum; and

(b) intend to cause the Shares in which they have a Relevant Interest (see section 3.25 for details of Shares held by the Directors) to be voted in favour of the Resolutions,

subject to a Superior Homeloans Proposal or the Independent Expert engaged by Homeloans ceasing to conclude, or adversely changing its conclusion, such that the Scheme is no longer In The Best Interests of the Shareholders. For further information, refer to clause 8.3 of the Scheme Implementation Agreement in Annexure B.

Full details of the key reasons for your Directors' recommendation of the Transaction are set out in section 6.8. As with all transactions of this nature, the Transaction also has risks, and these are set out in sections 5.11, 5.12 and 5.13 of this Explanatory Memorandum.

Recommendation of the Independent Expert

The Independent Expert has concluded that the Transaction is not fair but reasonable to the Shareholders. In the absence of a Superior Homeloans Proposal, the Independent Expert is of the opinion that the advantages of the Transaction outweigh the disadvantages and accordingly, believes that it is in the best interests of the Shareholders to vote in favour of the Transaction. The Independent Expert's Report is set out in Annexure A of this document.

Board and management

Upon Implementation of the Transaction, it is proposed that the board of the Merged Group will be composed of six members as follows:

- Mr. Warren McLeland, Managing Director;
- Mr. Robert Scott, Non-Executive Director;
- Mr. Robert Salmon, Non-Executive Director;
- Ms. Susan Hansen, Non-Executive Director;
- Mr. Michael Jefferies, Non-Executive Director; and
- an independent, non-executive director to be appointed as the chairperson.

Mr Warren McLeland who is to be appointed Managing Director of the Merged Group, is also the Chairman of Somers and a director of UIL Limited, the largest shareholder of Somers.

Homeloans and RESIMAC have agreed an independent non-executive director will be appointed, as agreed between the parties. RESIMAC has the right to appoint the chair of the Board of the Merged Group. RESIMAC's intention is to appoint the independent non-executive director as chair of the Board of the Merged Group.

RESIMAC and Homeloans have commenced their search for an independent chair for the Merged Group. To the extent that a suitable candidate has not yet been finalised on Implementation of the Scheme, it is intended that Susan Hansen will fulfil the role as acting chair of the Board of the Merged Group until a suitable candidate has been finalised.

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.

Michael Starkey, a current director of Homeloans, will not be appointed to the Board of the Merged Group, and will tender his resignation from the Board and the board of each Subsidiary of Homeloans with effect from the Implementation Date.

The profiles of the 3 proposed board members of the Merged Group to be appointed as a result of the Board Composition Resolutions are set out below:

Name	Background
Warren McLeland	Previously a senior managing director with Chase Manhattan Bank (now JPMorgan Chase), Warren has over 30 years' experience, world-wide in financial services. Warren's roles have embraced investment management, stockbroking, treasury and capital markets and risk management. Warren is a director of a number of public and private companies including Somers Limited (chairman), UIL, Wilson HTM Investment Group, Utilico Limited, Ellect Holdings and previously The Trust Company Limited. Warren joined the Board of RESIMAC in 1999 and was appointed Chief Executive Officer in mid-2000 and assumed the role of Executive Chairman and Chief Executive Officer in 2014.
Susan Hansen	Susan is a Chartered Accountant with over 30 years' experience in practice with the top accountancy firms and investment banking (financial analysis and risk assessment). Susan has established a global financial training company in New Zealand of which she is Chief Executive Officer. Susan also serves on the boards of Utilico Emerging Markets Limited, listed in London, a funds management company in New Zealand and a global education company. In addition, Susan was a Strategy Consultant to the Auckland Regional Services Trust and the Project Manager on the feasibility study of the America's Cup Infrastructure. Following this she was Chief Executive of Viaduct Harbour Holdings Limited. Susan is a member of the Institute of Chartered Accountants in Australia and has an MBA from the University of Cape Town Graduate School of Business. Susan joined the Board in 2011 and is the Chair of the Audit Committee and the Risk Committee.
Michael Jefferies	Michael is a Chartered Accountant and holds a Bachelor of Commerce degree. Michael has extensive experience in finance and investment, including 20 years as an executive at Guinness Peat Group Plc. Michael is a non-executive director of Ozgrowth Limited and Afterpay Limited and is Chairman of Touchcorp Limited. Michael was formerly a director of a number of financial services companies including Australian Wealth Management Limited, Tower Australia Limited and Clearview Wealth Limited. Michael joined the board of RESIMAC in 2014 and is a member of the Audit Committee and the Risk & Compliance Committee.

Call Option provided by certain Homeloans Shareholders

As set out in the announcement, the Board also understand that certain Shareholders have granted RESIMAC an option to acquire shares held by these Homeloans shareholders representing 19.9% of Homeloans issued capital. The options 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.

The presence of the Call Options may act as a deterrent to future potential interested parties.

FY16 Final Dividend

The Board expects to declare a final dividend of two cents per share prior to the completion of the Transaction. The dividend must not be declared or determined until the earlier of the Effective Date under the Scheme Implementation Agreement, and 31 October 2016.

The payment of any dividend is subject to certain conditions as outlined in the Scheme Implementation Agreement, a copy of which is provided at Annexure B.

RESIMAC Shareholders who are issued Shares pursuant to the Transaction will not be eligible to receive a dividend from Homeloans for the financial year ended 30 June 2016 as they will not be registered as Homeloans Shareholders as at the record date for the Homeloans dividend.

Timing

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.

Full details of the conditions to the Scheme and other agreed terms are set out in the Scheme Implementation Agreement, an executed copy of which is provided at Annexure B of this Explanatory Memorandum.

Conditions Precedent of the Scheme

The Scheme is subject to the satisfaction (or waiver, where permitted) of the Conditions Precedent as set out in full in clause 3 of the Scheme Implementation Agreement (a copy of which is set out in Annexure B of this Explanatory Memorandum), which includes RESIMAC shareholder approval of the Scheme and approval by the Court.

2.2 Scheme Consideration

The Scheme Consideration will be fully paid ordinary shares in Homeloans. They will have the same terms as, and rank equally with, all of other ordinary shares issued by the Company.

The Company will also apply for the Scheme Consideration shares to be quoted on the ASX.

2.3 Rationale for the Transaction

The Homeloans 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.

The proposed Transaction is the outcome of a strategic review process undertaken by the Board over the last 18 months. As part of the process, a number of interested parties conducted due diligence on Homeloans and its operations and/or entered into preliminary discussions with Homeloans. To date, no Superior Homeloans Proposal to the proposed Transaction that is realisable by Shareholders has emerged.

The merger of the businesses of RESIMAC and Homeloans will create a portfolio including $5.4 billion in principally funded assets, $3.8 billion in loans under management, $4.1 billion in loans under administration and combined new annual originations exceeding $3 billion in the 12 months to 30 June 2016. The increased scale of the Merged Group will enable it to provide additional benefits to customers through its products and services and enable the Merged Group to attract more borrowers, increase brand awareness and improve efficiency of its cost base. In addition, it is expected to encourage/attract more investors into the Company's funding program and provide access to alternative sources of capital to support incremental growth. Shareholders of the Merged Group will be able to participate in the value created in a larger and stronger financial services company through the realisation of operational and revenue synergies.

Specifically, the Merged Group will benefit from a number of key strategic and financial benefits with the ability to leverage the following key capabilities:

(a) The Merged Group will have improved access to capital due to its increased scale and public listing

(i) Benefits of scale

The Merged Group will have a pro forma combined equity value of $208.7 million (based on the closing price of Homeloans Shares of $0. 53 on 6 September 2016 and total shares outstanding of 393,687,081 upon Implementation). On 6 September 2016, Homeloans stand-alone equity value was $57.4 million (based on 108,247,602 shares outstanding fully diluted for Homeloans Performance Rights) and RESIMAC's implied equity value was $151.3 million (based on Homeloans' share price on that date multiplied by 285,439,479 shares, the number of Homeloans shares that will be issued to RESIMAC Shareholders upon Implementation).

(ii) Access to a broader investor base for RESIMAC's funding program

The enlarged scale of the Merged Group and the fact it is a listed company is expected to increase investor confidence and result in an improved ability to raise debt to fund its mortgage portfolio. Being a listed entity will provide access to a broader range of debt investors than RESIMAC has previously had access to as an unlisted entity.

(iii) Access to equity capital

The listed environment will assist with access to equity capital, as compared to RESIMAC as a stand-alone unlisted entity.

(b) The Merged Group is expected to benefit from having diversified income streams

As described in section 4, RESIMAC predominantly generates its income from earning a net interest margin (**NIM**) from its principally funded loan book, and as described section 3, Homeloans' currently generates mainly fee-based income. As outlined in 5, the Merged Group's intention is to continue to generate both types of income streams. As a result of having diversified income streams, the Merged Group will have a lower risk profile than RESIMAC as a stand-alone entity.

(c) The Merged Group is expected to have access to cost and revenue synergies

The Merged Group expects to achieve full-run rate cost synergies of approximately $6 million within 12 to 18 months of Implementation of the Scheme. The larger size of the Merged Group compared to the standalone size of RESIMAC and Homeloans respectively will enable the Merged Group to achieve economies of scale through leveraging fixed costs and achieving greater standardisation across the business.

(i) Cost Synergies

Key components of the cost synergies include centralising and consolidating shared services functions and improving efficiency through the removal of any duplicated support framework, which in turn will result in a reduction in labour costs.

There will also be an opportunity to migrate select parts of the RESIMAC operations to the off-shore service centre currently utilised by Homeloans to achieve efficiency gains and reduce overheads. In addition, rationalisation of lease expenses and other operating expenditure optimisation initiatives, including combining marketing initiatives will help reduce overall spend.

The Merged Group expects cost synergies to comprise:

- Reduction in labour costs primarily from rationalisation of duplicated roles, being approximately $4 million;
- Reduction in leasing costs from non-renewal of certain leases upon expiry or sub-leasing excess floor space, being approximately $1 million; and
- Other reductions in operating expenditure, primarily through savings in marketing expenditure, being approximately $1 million.

(ii) Revenue Synergies

The Scheme also has the potential to generate revenue synergies, including:

- the ability to fund a portion of Homeloans branded book with RESIMAC's balance sheet;
- access to distribution channels that were not previously available to RESIMAC;
- development of the Homeloans brand to complement RESIMAC's B2C opportunities; and
- customer retention opportunities through the ability to offer Homeloans customers RESIMAC product.

(d) Combining the Homeloans business with RESIMAC will complement RESIMAC's existing vertically integrated business model

The Merged Group will benefit from the diversification of distribution and branded products which will further strengthen RESIMAC's existing capabilities. For the 12 months to 30 June 2016, the Merged Group's combined annual originations of branded products were approximately $3 billion.

(e) The Independent Expert has determined that the Transaction is not fair but reasonable, and it is in the best interests of shareholders to vote in favour of the Transaction

The Independent Expert is of the opinion that the Transaction is not fair but reasonable and that the advantages of the proposed Transaction outweigh the disadvantages. Accordingly, the Independent Expert believes that it is in the best interests of the Shareholders to vote in favour of the Transaction in the absence of a superior proposal. Advantages identified by the Independent Expert include:

- the Transaction should provide increased earnings per share; and
- an assessment of the value of the Merged Group shows the proposed Transaction represents an implied premium of 10.6% to 33.8% to the historical trading price of the Shares.

2.4 Disadvantages and risks associated with the Transaction

Shareholders may disagree with the Board and believe the Transaction is not in their best interests. Some of the disadvantages and risks of the Transaction are as follows:

- (**proposed Transaction not fair but reasonable**) Based on the approach required under ASIC RG111, which requires the issue of shares under section 611(7) of the Corporation Act to be treated as a scrip takeover bid, the proposed Transaction has been assessed as not fair by the Independent Expert as the fair market value of the Shares on a control basis, before the Transaction, is higher than their assessment of the Shares on a minority basis, after the Transaction. The assessment shows a decrease in value per Share of between 8 and 10.6%, after the Transaction. See the Independent Expert Report at Annexure A for further information.
- (**reduced influence over the Merged Group and dilution of existing Shareholders**) Upon completion of the proposed Transaction, existing Shareholders will hold approximately 27.5% of the enlarged share capital of the Merged Group and will collectively be minority shareholders. The Board will be restructured to consist of two (out of six) directors nominated by Homeloans. As a result, existing Shareholders will have reduced ability to influence the operating, financing and strategic decisions of the Merged Group.
- (**dividend policy**) If the proposed Transaction is implemented, there is no surety that the Merged Group will continue to pay a dividend in line with Homeloans historic dividend payout ratio. The intention of the Merged Group in respect of the dividend policy is set out in section 5.4(d).
- (**lack of liquidity**): Share price and trading volumes indicate that the Shares are relatively illiquid. Following completion of the proposed Transaction, the top 10 Shareholders of Homeloans will represent ~88.4% of the Share register (as at the date of this Notice). It is expected Shares illiquidity will increase after Implementation.

- (**majority shareholder**): Upon completion of the Transaction (if approved) Ingot will hold 57.3%, or Somers will hold 58.9%, of the Company's Shares. As such, current Shareholders will have limited ability to influence the management, operation and control of the Company. Ingot, or Somers if the Somers Acquisition occurs, will be in a position to exert significant influence of the outcome of matters related to the Company, including the election of Directors. The interests of these parties may or may not be different from those of current Shareholders.

- (**risk that synergies and efficiencies cannot be achieved**) Existing Shareholders share the risk of the Merged Group not being able to at least deliver the synergies and efficiencies incorporated into the assessment of the Merged Group in the Independent Expert Report. A failure to achieve targeted synergies may have an adverse impact on the operations and financial performance and position of the Merged Group and the value of its shares. However, the future management team of the Merged Group believe this risk is limited and that it is materially mitigated by the collaborative and pro-active steps undertaken by all the stakeholders involved to ensure a smooth integration process upon completion of the Transaction.

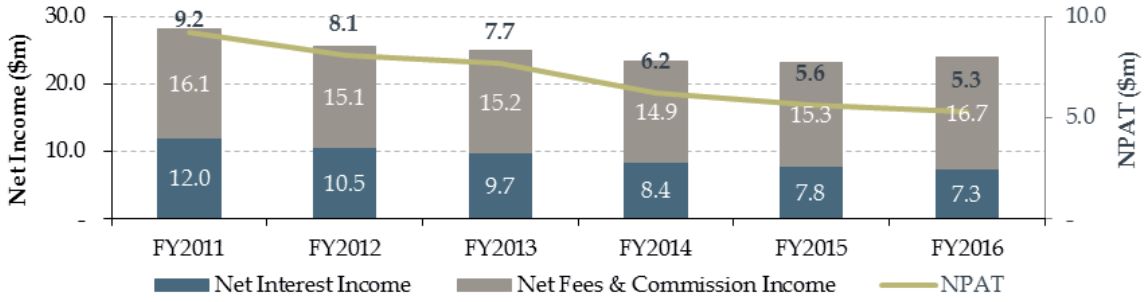
Further details of the advantages and disadvantages of the Transaction are set out in section 5.10 below.

3. Information about the Company

3.1 Background

Homeloans is an ASX-listed non-bank lender, mortgage manager and mortgage broker with a market capitalisation of $56 million[1]. Since its origins in 1985, Homeloans has grown to become a leading alternative provider of residential mortgage finance.

Figure 1: Financial Performance Summary



Source: Company.

In the financial year ended 30 June 2016, Homeloans received net interest income of $7.3 million and net fees and commission income of $16.7 million. As at 30 June 2016, Homeloans' total assets were $280.9 million and it had net assets of $44.7 million.

Further information about Homeloans can be obtained from Homeloans' website www.homeloans.com.au or on the ASX announcement platform at www.asx.com.au.

3.2 Business overview

Homeloans is a non-bank lender, mortgage manager service provider and mortgage broker with a nationwide presence. As a non-bank lender and mortgage manager, Homeloans sells residential mortgage loans through external third party mortgage brokers as well as its own branded mortgage broker relationships.

Homeloans' distribution capabilities to reach borrowers can be classified under two distinct channels:

(i) Third party, whereby mortgage broker partners distribute Homeloans' loans to customers; and

(ii) Direct retail distribution, whereby customers access Homeloans via its mobile lenders, sales offices and internal loan writers.

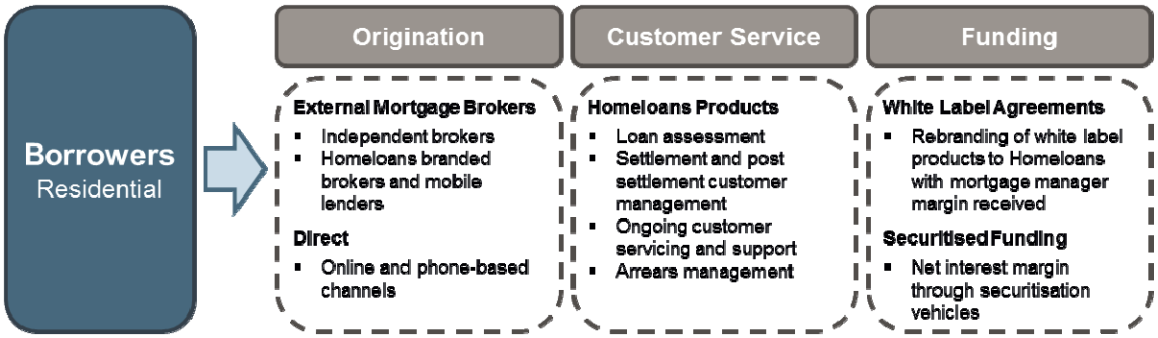
Homeloans employs approximately 100 staff and has access to over 6,000 mortgage brokers.

[1] Based on the closing price of $0.53 of Homeloans undiluted Shares on 7 September 2016.

3.3 Principal activities

Homeloans operates across all segments of the mortgage value chain as set out below:

Figure 2: Homeloans mortgage value chain



Source: Company.

(a) Origination

Origination refers to the process by which a borrower submits an application to enter into a loan with a lender, typically through a mortgage broker or directly at a bank or other financial institution.

Homeloans originates loan applications through external independent mortgage brokers through its agreements with a selection of major national mortgage broker aggregation businesses. In addition to this, Homeloans has a number of mortgage brokers who operate as independent mortgage brokers across Australia utilising the Homeloans brand for their business. These branded brokers are able to sell a range of lenders products in addition to Homeloans products.

Homeloans also has lending staff who are able to accept loan applications which are originated from the Company's website and call centre.

(b) Customer Service

Customer service relates to the ongoing provision of services to the borrower and management of the mortgage for the term of the loan. These services range from initial onboarding of the customer onto the relevant funder's systems through to ongoing customer services such as the provision of statements, receipt and disbursement of the loan repayments and the ongoing credit management of the mortgage. Irrespective of the funding source, all Homeloans customers are managed by Homeloans even though the lender on record may vary.

(c) Funding

(i) White Label Agreements

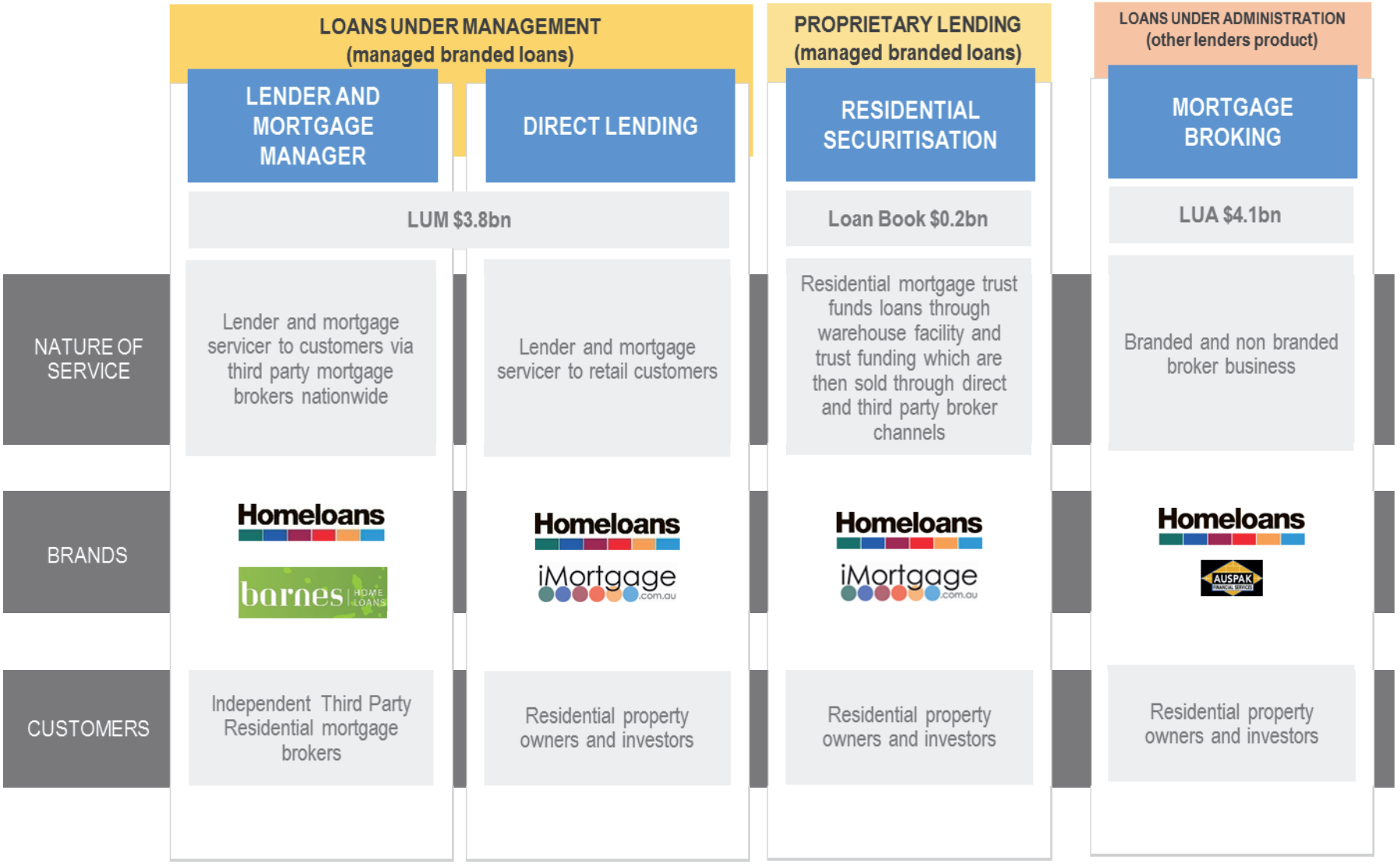
Homeloans has a number of funding agreements with major bank and non-bank lenders whereby they provide a white label lending product. Homeloans rebrands these products and whilst the balance sheet funding and credit risk resides with the underlying lender, the customer is serviced as described above by Homeloans. In return for the management of the customer on an ongoing basis, Homeloans receives a mortgage management margin and generally has control of the customer interest rate for the life of the loan. The white label model accounts for the majority of new settlements volumes in recent years.

(ii) **Securitised Funding**

Homeloans also sources a portion of its funds through a small wholesale funding program which involves warehouse lending in the short term and securitisation of loans through the issuance of Residential Mortgage Backed Securities (RMBS).

Whilst Homeloans has an active warehouse facility with Westpac Banking Corporation which allows it to originate new loans it has not issued RMBS since 2006 due to the low volume of loans being written through this source of funding and currently has one RMBS outstanding.

Figure 3: Business overview



Source: Company.

3.4 Income sources

Homeloans generates the majority of its income through the below sources.

(a) White label products

Commissions received by Homeloans on white label products comprise two key components:

- Upfront commissions received from wholesale funding lenders on loan products provided by those lenders and originated by Homeloans' broker partners. Upfront commissions are generally paid as a percentage of the loan amount settled; and
- Ongoing manager margin and transaction fees for services provided to borrowers on Homeloans products. Trail commissions or mortgage management margin are received from lenders over the life of the loan and are generally paid as a percentage of the particular loan's outstanding balance.

(b) Principally funded products

Homeloans receives a net interest margin on principally funded loans, being the difference between the interest rate charged to the borrower on a loan and the cost of funding the loan.

(c) Brokerage margin

Homeloans has various arrangements with branded and non-branded mortgage brokers. Within these arrangements Homeloans operates as a sub-aggregator and as such is entitled to receive a portion of any upfront commission and ongoing trail commission for loans settled by these brokers through other non-Homeloans loan products.

3.5 Homeloans broker distribution

Homeloans has nation-wide distribution with a combination of Homeloans' branded retail distribution network and accredited independent third party brokers across all Australian States and in both urban and regional markets. This broad distribution network coupled with a low concentration in any particular geographic area ensures Homeloans' earnings are diversified.

3.6 Loan book

The Homeloans loan book represents the total value of the outstanding residential loans that have been originated by brokers and direct retail distribution for Homeloans. The loan book has three distinct components reflecting the differing income received on these portfolios.

Loans under management - represents the white label agreements book upon which Homeloans branded products are serviced by Homeloans in return for an ongoing mortgage manger margin.

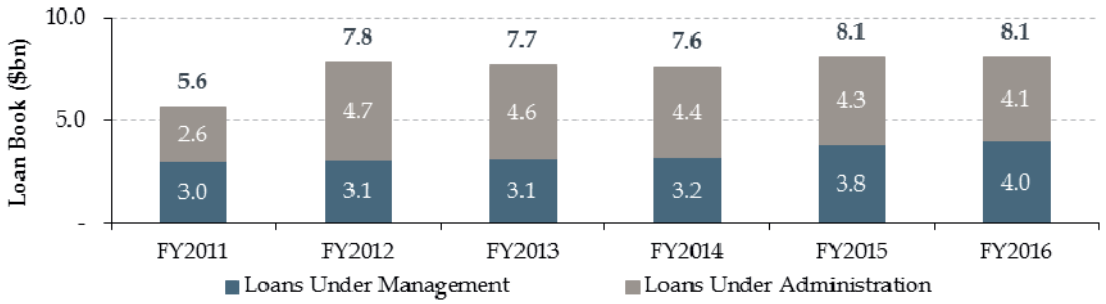
Principally funded loan portfolio – represents the value of loans written under the securitisation program and upon which a net interest margin is received.

Loans under administration - represents the value of the brokerage loan book. These are non Homeloans loans upon which Homeloans receives a small portion of the ongoing trail commission on these loans subject to the contractual arrangements with the broker businesses involved.

As at 30 June 2016, Homeloans' total loan book was $8.1 billion, comprising:

- Loans under management $3.8 billion
- Principally funded loan portfolio $0.2 billion
    - **Sub-total Loans under management $4.0 billion**
- Loans under administration $4.1 billion
    - **Total $8.1 billion**

Figure 4: Loan book by year ($bn)



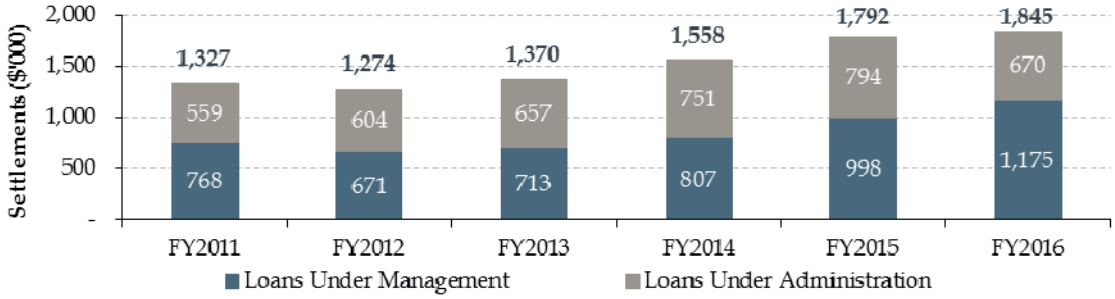
Source: Company.

3.7 Settlements

The volume of loan settlements is driven by the number and the value of loans settled. Settlement activity is supported by the relationships Homeloans maintains with key aggregator partners as well as the relationships between the Homeloans sales and assessment teams and the third party brokers they service. Overriding these factors are the demand from borrowers for mortgages, which can be affected by a number of macro-economic factors as well as the mix of borrower types (i.e. consumer versus business) and location.

Settlements for across the period FY2011 – FY2016 are set out below.

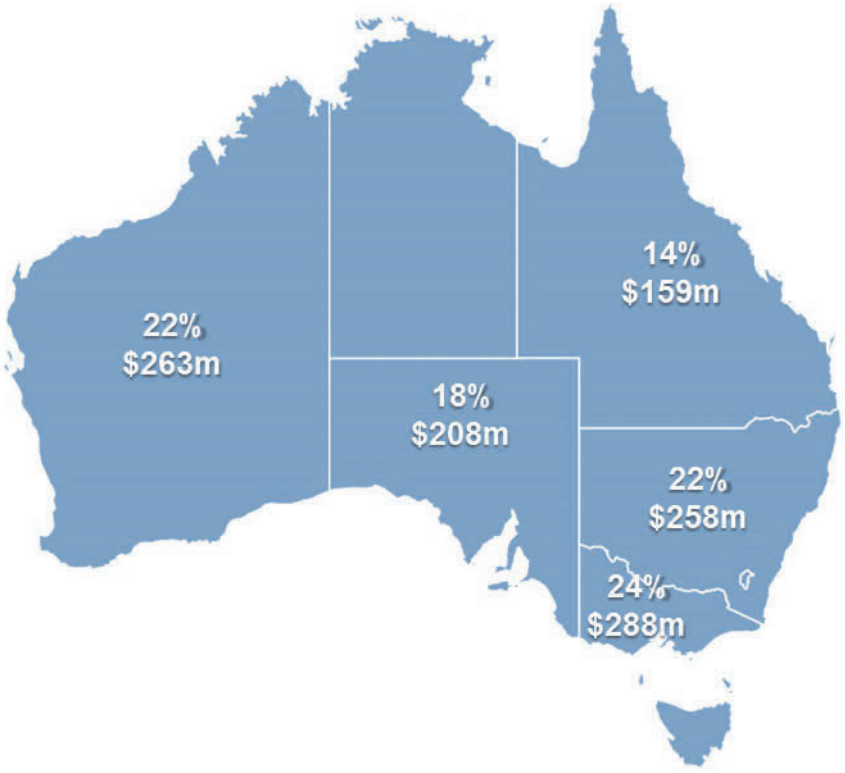
Figure 5: Settlements by year ($m)



Source: Company.

Settlements by geography for 12 months ended 30 June 2016 are set out below.

Figure 6: Geographic settlements



Source: Company.

3.8 Outlook

Homeloans' strategy is to grow and diversify the business.

The Board has identified the following strategic initiatives as key to realising this growth and diversification:

- Ongoing assessment and enhancement of product and service offerings across Homeloans' third-party broker partners and direct retail networks; and
- Continued expansion of the Homeloans' broker and direct retail distribution footprint by either organic means or via acquisition.

3.9 Homeloans Directors and senior management

(a) Board and Executive

Name	Background
Robert Norman Scott *Non-Executive Chairman*	Appointed Chairman on 17 November 2014. Rob was previously a non-executive director of Homeloans Limited from 9 November 2000. Rob is a Chartered Accountant with over 36 years' experience. Rob was an International Partner with Arthur Andersen, retiring from that firm in 1995. Rob is chairman of the company's audit and risk management committee and is a member of the company's nomination and remuneration committee. Rob serves as a non-executive director of the following listed companies: • RTG Mining INC (Appointed 31 March 2013) – Listed on the ASX 30 June 2014 • Sandfire Resources NL (Appointed 30 July 2010) • Lonestar Resources (US) Inc (Appointed 1 July 2016) Rob was formerly a director of the following listed companies: • CGA Mining Limited (Resigned 16 January 2013) • Manas Resources Limited (Resigned 31 March 2014)
Scott McWilliam *Chief Executive Officer*	Scott joined Homeloans in 2003 and has held various senior executives roles including Chief Operating Officer and Head of Funding and Investments. Scott was appointed Chief Executive Officer on 1 January 2013. Scott has over 19 years' extensive experience in the financial services industry including securitisation, interest rate derivatives and mortgage banking. Prior to joining Homeloans Scott held senior roles at Deutsche Bank in London and Sydney and Citibank in London.
Robert Peter Salmon *Non-Executive Director*	Appointed 9 November 2000. Rob has 45 years' experience in the finance and banking industry. In 1985, Rob joined with Tim Holmes to establish International Financing and Investment Pty Ltd, the predecessor to Homeloans Limited. He has a Bachelor of Economics from the University of Western Australia. Rob has not held any other Directorships of listed companies over the past three years.

Name	Background
Michael Starkey *Non-Executive Director*	Appointed 1 February 2013. Michael is the acting Executive General Manager, Deposits & Transaction Service at NAB. Michael has extensive experience in the financial service industry with a focus on consumer and business banking. Since joining NAB in 2009 he has led Personal Banking strategy, Digital and Direct Channel Development and the Deposits product team. Before joining NAB, Michael was Managing Partner at Corporate Value Associates (CVA), a boutique global strategy firm. In 1999 Michael co-founded iSelect, a successful online insurance comparison site now listed on the ASX.

(b) Senior management

Name	Role
Scott McWilliam	Chief Executive Officer
Ian Parkes	Chief Financial Officer
Jennifer Murray	Company Secretary
Marianne Hannah	General Manager – Operations
Ray Hair	General Manager – Sales
James Hardiman	General Manager – Underwriting
Will Keall	National Marketing Manager
Kym Carter	Head of Human Resources

3.10 Historical Financial Information

(a) Basis of preparation

The historical financial information below is a summary only and the full financial accounts for Homeloans for the financial years described below, which include the notes to the accounts, can be found in Homeloans' annual reports for those periods. These annual reports are available on Homeloans' website www.homeloans.com.au or on the ASX announcement platform at www.asx.com.au. The 30 June 2016 Consolidated Income Statement and Balance Sheet represent the preliminary results which are in the process of being audited.

(b) Consolidated Income Statement

The summarised consolidated historical income statements of Homeloans set out in the table below, for the financial years ended 30 June 2014, 30 June 2015 and 30 June 2016 have been extracted from Homeloans' audited financial statements for 30 June 2014 and 30 June 2015, while financials for 30 June 2016 are preliminary and in the process of being audited.

Preliminary
Income Statement
Year ended 30 June 2016

	30 June 2014	30 June 2015	**30 June 2016 Preliminary**
	$m	$m	**$m**
Net Interest Income	8.6	8.0	7.3
Net Non Interest Income	15.3	15.6	16.7
Total Income	**23.9**	**23.6**	**24.1**
Employment Expense	(9.4)	(10.1)	(10.5)
Other Operating Expense	(5.8)	(5.9)	(6.1)
Total Operating Expenses	**(15.2)**	**(16.0)**	**(16.6)**
Bad Debt Expense	0.3	0.4	0.0
Net profit/loss before income tax	**8.9**	**8.0**	**7.5**
Income tax expense	(2.7)	(2.4)	(2.3)
Net profit/loss after tax	**6.2**	**5.6**	**5.3**
One off items including restructure and transaction costs - post tax	0.1	0.3	0.5
Net Profit after tax and one off items	**6.3**	**5.9**	**5.8**

Notes

(1) Homeloans Ltd Consolidation Assumptions

a Based upon Statutory Accounting View with reclassifications.
b FY'16 result is subject to change until the audit has been completed and statements signed.
c Rounding differences are apparent in relation to small balances in particular.

(c) Consolidated Balance Sheet

Homeloans' consolidated historical balance sheet as at 30 June 2014, 30 June 2015 and 30 June 2016 is set out below. Please note financials for 30 June 2016 are preliminary and are in the process of being audited.

Preliminary
Consolidated Balance Sheet
at 30 June 2016

	30 June 2014 $'m	30 June 2015 $'m	**30 June 2016 Preliminary $'m**
Cash and Cash Equivalents	13.8	12.3	12.6
Loans and advances	203.4	200.4	181.1
Goodwill	13.2	13.2	13.2
Future trail commission receivables	52.0	63.8	68.9
Other Assets	6.1	5.9	5.0
Total Assets	**288.5**	**295.7**	**280.9**
Borrowings	209.5	209.2	188.9
Future trail commission payable	22.8	27.8	30.2
Other liabilities	14.7	15.4	17.2
Total Liabilities	**247.0**	**252.3**	**236.2**
Net Assets	**41.5**	**43.4**	**44.7**
Issued capital	39.0	39.2	39.4
Reserves	0.9	1.2	1.3
Retained earnings	1.6	3.0	4.0
Equity	**41.5**	**43.4**	**44.7**

Notes

(1) Homeloans Ltd Consolidation Assumptions

a Based upon Statutory Accounting View with reclassifications.
b FY'16 result is subject to change until the audit has been completed and statements signed.
c Rounding differences are apparent in relation to small balances in particular.

(d) Material changes in the Homeloans Group's position

Homeloans' latest published financial statements are the preliminary financial statements (unaudited) for the financial year ended 30 June 2016.

As at 7 September 2016, the last practicable day before the date of this Explanatory Memorandum, other than as disclosed on the ASX by Homeloans, there had been no material changes likely to effect the financial position of Homeloans since 30 June 2016. Any subsequent material changes to the financial position of Homeloans will be disclosed on the ASX announcement platform at www.asx.com.au.

3.11 Dividends

(a) Dividend policy and history

Homeloans' dividend payout ratio has historically ranged between approximately 67.5%-85.5% of net profit after tax.

	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011
Basic EPS (cents)	4.96.	5.33	5.84	7.26	7.67	8.96
Return on Assets (%)	n.a.[1]	2.0%	2.1%	2.3%	2.0%	1.8%
Return on Equity (%)	n.a.[1]	13.3%	14.7%	17.9%	20.2%	20.9%
Dividend Payout Ratio (%)	n.a.	75.0%	85.5%	82.7%	78.9%	67.5%
Share Price (cents)	44.0	58.0	75.0	94.5	58.0	62.0
Dividends (cents)	2.0[2]	4.0	5.0	6.0	6.0	6.0

Source: Company.
Notes:
1. *To be disclosed in full financial statements at a later date.*
2. *Final dividend to be declared.*

Every six months following the preparation of Homeloans' financial statements for the preceding half-year, the Board considers whether to pay a dividend and the amount of such a dividend taking into consideration the financial performance for the preceding half-year and anticipated future capital requirements.

The following table sets out the fully franked declared dividends of Homeloans' for the period FY2011 to FY2016.

Payment Date	Record Date	Amount	Franked	DRP price	Type
31 March 2016	15 March 2016	$0.02	100%	-	Interim
5 October 2015	15 September 2015	$0.02	100%	-	Final
20 April 2015	1 April 2015	$0.02	100%	-	Interim
3 October 2014	15 September 2014	$0.02	100%	$0.615	Final
26 March 2014	17 March 2014	$0.03	100%	$0.745	Interim
2 October 2013	16 September 2013	$0.03	100%	$0.873	Final
27 March 2013	18 March 2013	$0.03	100%	$0.80	Interim
2 October 2012	17 September 2012	$0.035	100%	$0.62	Final
30 March 2012	19 March 2012	$0.025	100%	$0.55	Interim
30 September 2011	16 September 2011	$0.035	100%	$0.59	Final

Source: Company.

The Board 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.

(b) Dividend reinvestment plan

Homeloans suspended its dividend reinvestment plan in FY2015. The Board does not anticipate re-opening the dividend reinvestment plan for FY2016.

3.12 Homeloans' securities

This section sets out the latest information as disclosed to the market in accordance with the ASX Listing Rules.

(a) Capital structure

As at the close of trading on 7 September 2016, the last practicable day before the date of this Explanatory Memorandum, Homeloans' issued share capital is as follows:

Capital structure	Number of securities
Number of Homeloans Shares	105,970,525
Number of Homeloans Performance Rights	2,277,077

Source: Company.

(b) Rights attaching to Homeloans securities

Set out below is a summary of some of the key provisions in the Homeloans Constitution in relation to the rights and liabilities attached to Homeloans Shares. A full copy of the Homeloans Constitution is available for inspection free of charge prior to the Extraordinary General Meeting during normal business hours at the registered office of Homeloans.

(i) Meeting and voting rights

By resolution of the Homeloans Board, a general meeting may be called at any time.

At a general meeting, a resolution put to the vote of the meeting must be decided on a show of hands unless a poll is demanded before that vote is taken or before the result is declared or immediately after the result is declared.

On a show of hands, each Shareholder present has one vote and on a poll, each Shareholder present in person, by proxy or attorney has one vote for each Share held.

Where a general meeting is convened and a quorum is not present within 30 minutes of the time specified in the notice of meeting, the meeting is dissolved unless the Board adjourns the meeting to a date, time and place determined by it. If no quorum is present at any adjourned meeting within 30 minutes after the time for the meeting, the meeting is dissolved.

(ii) Directors

Until otherwise determined, the number of directors must not be less than 3 nor more than 7. Homeloans may, only by resolution, increase or reduce the number of Directors and may also determine in what rotation the increased or reduced number is to go out of office. At a meeting at which a Director retires, Homeloans may only by resolution at a general meeting fill a vacated office by electing a person to that office.

Questions arising at any meeting of the Board must be decided by a majority of votes of the Directors present and voting. A decision of the majority is for all purposes a decision of the Board. In the case of an equality of votes, the chairman of the meeting has a casting vote in addition to the chairman's deliberative vote as a Director.

(iii) **Preference shares**

Shares may be issued with preferred, deferred or other special rights, obligations or restrictions, whether with regard to dividend, voting, return of capital or otherwise as the Board determines.

Currently no Shares with preferential rights are on issue.

(iv) **Dividends**

The Board may determine that a dividend (including an interim dividend on account of the next forthcoming dividend) is payable to eligible Shareholders and may fix the amount, time for payment and method of payment.

A summary of recent dividend payments on Shares is set out in section 3.11(a).

(v) **Liquidation**

The assets of Homeloans must on a winding up be applied in repayment to the members of Homeloans equally the amounts paid in respect of each share. Any surplus will be divided between the members equally in proportion to their respective holdings.

(vi) **Pre-emptive rights**

Shareholders do not have any pre-emptive rights under the Homeloans Constitution. However, under the ASX Listing Rules, certain restrictions apply to a listed company placing its ordinary shares otherwise than on a pro rata basis among its shareholders.

(vii) **Alteration to share capital**

Without affecting any special rights conferred on the holders of any Shares, the Board may determine, by resolution, on any terms it considers appropriate, to issue shares or other securities.

(c) Long term incentives/Performance rights

The Homeloans LTI Plan (**LTI Plan**) is an annual compensation scheme to align executive remuneration with the creation of shareholder value over the long-term. The LTI Plan rewards only those eligible employees tasked with influencing the generation of shareholder wealth.

An award of LTI to each eligible employee is determined by the Board with reference to market practice, individual contribution and the influence of the role on business outcomes.

LTI grants are most commonly delivered in the form of options or share rights, but may take other forms, including cash payments (collectively known as **Performance Rights**):

- In the case of options being issued, the options vest with the executive over varying periods and are not usually subject to a performance hurdle, as these options are issued to executives as a form of retention bonus and incentive to contribute to the creation of shareholder wealth. They usually have a life from date of grant of five years, and are exercisable at specific dates and proportions set at the time of granting the options

- In the case of share rights awarded, these are issued annually and vest over varying periods and are subject to specific company and/or individual performance measures or on-going service requirements. They usually cover a period up to three years from the date of awarding the share rights

The current LTI Plan contains the following components:

- Each Performance Right converts upon vesting into one Share, with no amount being paid or payable by the recipient on receipt of the Performance Right;
- Performance Rights carry neither rights to dividends nor voting rights (until Shares are allotted upon exercise); and
- Performance criteria for the LTI Plan is as follows:
    - 50% of Performance Rights are subject to a performance condition measured by the compounding annual growth rate (CAGR) of the total shareholder return (TSR) of Homeloans; and
    - The remaining 50% of Performance Rights are subject to a performance condition measured as Homeloans' share price performance against the ASX Small Ordinaries Index.

The Board considers the LTI Plan to be an important tool to attract and retain skilled and experienced executive talent.

Set out below is the balance of Performance Rights as at the date of this Explanatory Memorandum:

No. of rights	Grant date	Vesting date	Expiry Date	Share price at date of grant ($)
69,404	1 Jan 2014	31 Dec 2014	31 Dec 2016	0.84
69,404	1 Jan 2014	31 Dec 2015	31 Dec 2016	0.84
69,426	1 Jan 2014	31 Dec 2016	31 Dec 2016	0.84
69,404	1 Jan 2014	31 Dec 2014	31 Dec 2016	0.84
69,404	1 Jan 2014	31 Dec 2015	31 Dec 2016	0.84
69,426	1 Jan 2014	31 Dec 2016	31 Dec 2016	0.84
118,750	1 Jan 2015	31 Dec 2015	31 Dec 2017	0.63
118,750	1 Jan 2015	31 Dec 2016	31 Dec 2017	0.63
118,750	1 Jan 2015	31 Dec 2017	31 Dec 2017	0.63
118,750	1 Jan 2015	31 Dec 2015	31 Dec 2017	0.63
118,750	1 Jan 2015	31 Dec 2016	31 Dec 2017	0.63
118,749	1 Jan 2015	31 Dec 2017	31 Dec 2017	0.63
83,333	17 Apr 2015	17 Apr 2016	17 Apr 2018	0.57
83,333	17 Apr 2015	17 Apr 2017	17 Apr 2018	0.57
83,334	17 Apr 2015	17 Apr 2018	17 Apr 2018	0.57
149,684	1 Jan 2016	31 Dec 2016	31 Dec 2018	0.48
149,685	1 Jan 2016	31 Dec 2017	31 Dec 2018	0.48
149,686	1 Jan 2016	31 Dec 2018	31 Dec 2018	0.48
149,684	1 Jan 2016	31 Dec 2016	31 Dec 2018	0.48
149,685	1 Jan 2016	31 Dec 2017	31 Dec 2018	0.48
149,686	1 Jan 2016	31 Dec 2018	31 Dec 2018	0.48
2,277,077				**0.62**

Source: Company.

(d) Vesting of Performance Rights and escrow arrangements

As part of the terms agreed under the Scheme Implementation Agreement, the Board intends to accelerate the vesting date of the Performance Rights on issue under the LTI Plan to a date on or around the Effective Date of the Scheme.

The Performance Rights which are to be escrowed are those Shares issued upon the vesting of Performance Rights **other than** those Performance Rights which:

- were issued as part of the 2015 short term incentive tranche vesting on 1 September 2016; and
- are not held by Scott McWilliam or Ian Parkes.

(**Escrow Shares**)

The issue of the Escrow Shares is conditional upon the holder of those Shares first executing an Escrow Deed.

Under the Escrow Deed, the holder will be unable to deal in their Shares until the earlier of 31 August 2017 and the date ending 12 months from the relevant date on which the Escrow Shares are first quoted on the ASX.

A copy of the Escrow Deed is an annexure to the Scheme Implementation Agreement at Annexure B.

3.13 Corporate governance

Homeloans recognises the importance of good corporate governance and is committed to maintaining the highest standards of corporate governance practices. These practices are designed to ensure that the Board and executive management perform their duties with honesty, integrity, care and diligence, and act in good faith in the best interests of Homeloans and in a manner that reflects the appropriate standards of corporate governance having regard to the particular circumstances of Homeloans' business and operations.

Homeloans has complied with each of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) apart from those recommendations which require a majority of independent directors to comprise the Board or its various committees. The Board is of the opinion that Homeloans is benefiting from having a founding director, given his experience in the industry, as well as other directors of the Board who have a broad experience in the mortgage lending industry.

An overview of Homeloans' main corporate governance policies and practices are set out below. Further details on Homeloans' Corporate Governance practices, policies and charters are available on Homeloans' website at http://www.homeloans.com.au/investor-relations/corporate-governance/.

3.14 Board

The Board has adopted a Board of Directors Charter that formalises its roles and responsibilities, including defining matters that are reserved for the Board and its Committees.

The Board is comprised of three non-executive directors (including the chairman).

The Board is responsible for the overall corporate governance of Homeloans including formulating its strategic direction; setting remuneration; appointing, removing and creating succession policies for directors; establishing and monitoring the achievement of management's goals; ensuring the integrity of risk management; internal control; and legal compliance.

The Board delegates to senior management responsibility for the implementation of the strategic direction of Homeloans.

The Board of Directors Charter is accessible on Homeloans' website at http://www.homeloans.com.au/investor-relations/corporate-governance/.

3.15 Homeloans Board committees

Key components of Homeloans' governance structure are the following Board committees:

- Audit & Risk Management Committee; and
- Nomination & Remuneration Committee

Each committee has a written charter approved by the Board and are accessible on Homeloans' website at http://www.homeloans.com.au/investor-relations/corporate-governance/. Further information on the key responsibilities and membership of each committee is set out below.

(a) Audit & Risk Management Committee

Homeloans has established an Audit & Risk Management Committee. The purpose of the Audit & Risk Management Committee is to assist the Board in monitoring and reviewing any matters of significance that affect financial reporting and compliance. The Audit & Risk Management Committee operates under a charter approved by the Board and is available on Homeloans' website at http://www.homeloans.com.au/investor-relations/corporate-governance/.

The Audit & Risk Management Committee is comprised of a minimum of three directors, one of whom must possess accounting and/or financial management expertise. The chairman of the Committee must be independent and must not be the chairman of the Board.

Details of the relevant skills and qualifications of the members of the Audit & Risk Management Committee and the number of meetings of the Audit & Risk Management Committee held during prior reporting periods and members' attendance at those meetings is set out in the Directors' Report of Homeloans' annual reports on Homeloans' website at http://www.homeloans.com.au/investor-relations/homeloans-annual-reports/.

(b) Nomination & Remuneration Committee

The Nomination & Remuneration Committee is responsible for providing recommendations on and determining the processes for evaluating the composition, remuneration and performance of the Homeloans Board, its committees and individual directors.

The Nomination & Remuneration Committee is comprised of the full Board, excluding the Chief Executive Officer. The chairman of the Committee will either be the chairman of the Board or an independent non-executive director. Details of the number of meetings of the Nomination & Remuneration Committee held during the prior reporting period and members' attendance at those meetings is set out in the Directors' Report of Homeloans' annual reports on Homeloans' website at http://www.homeloans.com.au/investor-relations/homeloans-annual-reports/.

3.16 Ethical Conduct

Homeloans has established and disclosed on its website its Code of Conduct which applies to all directors, managers and employees of Homeloans. The Code of Conduct is designed to ensure a high standard of honest and ethical corporate and individual behaviour and is reviewed as necessary to ensure it reflects the high ethical standards of conduct necessary to maintain confidence in Homeloans' integrity.

The Board has also adopted a Share Trading Policy that imposes general restrictions on all employees and special restrictions on the directors and key management personnel of Homeloans. The purpose of this policy is to define the circumstances in which directors, employees and any of their associates are permitted to deal in Homeloans' securities.

The Share Trading Policy is subject to the overriding application of insider trading laws. Homeloans' Policy for Trading in Homeloans Limited Securities is available on Homeloans' website at http://www.homeloans.com.au/investor-relations/corporate-governance/.

Furthermore, Homeloans has established and disclosed on its website its Diversity Policy. Homeloans promotes and has a strong commitment to diversity and recognises the value of attracting, engaging and retaining employees with different backgrounds, experience and perspectives. The diversity of its people is one of Homeloans' great strengths, leading to continuous improvement in service delivery and achievement of corporate goals. Having a diverse and inclusive workplace enables Homeloans to attract and retain talented people, create more innovative solutions, foster stronger problem solving capability and be more flexible and responsive to customer needs. The Diversity Policy applies to all directors, managers and employees of Homeloans.

3.17 Risk Management

The Board recognises that effective risk management is an integral and fundamental driver of effective corporate governance, and views it as a continuous process. As such, risk management assessment is fully integrated into Homeloans' management and strategic planning processes.

The Board, together with management, seeks to identify, assess, monitor and mitigate risk adequately and appropriately in a timely manner. Internal controls are monitored on a continuous basis and wherever possible, improved.

Risk management is formalised in Homeloans' Risk Management Policy and in the Audit & Risk Management Committee Charter which are both regularly reviewed. This review takes place at both a committee level through the Board's Audit & Risk Management Committee and at Board level.

The Audit & Risk Management Committee has established policies and procedures to identify and monitor business risks as well as adopting an internal compliance and control system to manage material business risk.

The Board is responsible for the oversight and maintenance of the systems and plans established to manage Homeloans' operational risk, and regularly reports to the Audit & Risk Management Committee about this.

The Audit & Risk Management Committee Charter and Homeloans' Group Risk Policy are available on Homeloans' website at http://www.homeloans.com.au/investor-relations/corporate-governance/.

Homeloans' Chief Executive Officer and Chief Financial Officer also provide a declaration for each reporting period in accordance with section 295A of the Corporations Act. The Chief Executive Officer and Chief Financial Officer also confirm in formal written statements to the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on sound risk management and internal control systems and that the system is operating effectively in all material aspects in relation to financial reporting and operational risks.

3.18 Market disclosure and shareholder communications

Homeloans is subject to continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. Subject to limited exceptions, Homeloans must immediately (that is, promptly without delay) notify the market, through the ASX, upon becoming aware of any information that a reasonable person would expect to have a material effect on the price or value of its securities.

The Board has adopted a Continuous Disclosure & Communications Policy to reinforce Homeloans' commitment to compliance with these obligations.

This policy sets out Homeloans' procedures to enable accurate, timely, clear and adequate disclosure to the market in accordance with the ASX Listing Rules and the Corporations Act, as well as management's accountabilities and the processes to be followed for ensuring compliance.

The Board also recognises the important rights of shareholders and strives to communicate with shareholders regularly, clearly and effectively to ensure that shareholders and all other stakeholders have equal opportunities to receive externally available information issued by Homeloans.

Consistent with this approach, Homeloans Continuous Disclosure & Communications Policy also includes the following initiatives and practices:

- Communicating effectively with shareholders through releases to the market via the ASX, the media, Homeloans' website, information mailed to shareholders and the general meetings of Homeloans; and

- Ensuring all price sensitive information disclosed to the ASX is placed on Homeloans' website when it is disclosed to the ASX.

The Board reviews at regular intervals its disclosure and communication practices to ensure the market is kept informed of price sensitive or otherwise significant information in accordance with the ASX Listing Rules and the Corporations Act.

Homeloans' Continuous Disclosure & Communications Policy is available on Homeloans' website at http://www.homeloans.com.au/investor-relations/corporate-governance/.

3.19 Directors' fees and executive remuneration

The Board has established a Nomination & Remuneration Committee, which operates under a charter approved by the Board. The Nomination & Remuneration Committee Charter is available on Homeloans' website at http://www.homeloans.com.au/investor-relations/corporate-governance/.

The purpose of the Nomination & Remuneration Committee is to assist the Board fulfil its responsibilities in respect of establishing appropriate remuneration levels and policies for directors and senior managers.

The Nomination & Remuneration Committee is comprised of the full Board, excluding the Chief Executive Officer. Details of the number of meetings of the Nomination & Remuneration Committee held during prior reporting periods and members' attendance at those meetings is set out in the Directors' Report of Homeloans' annual reports on Homeloans' website at http://www.homeloans.com.au/investor-relations/homeloans-annual-reports/.

Homeloans' non-executive directors receive fees as remuneration for acting as a Homeloans director and, if applicable, acting as a member of a standing Committee of the Board. Homeloans has not established any schemes for the provision of retirement benefits (other than statutory superannuation) for non-executive directors. Non-executive directors' fees do not incorporate any performance-based bonuses or incentive element, and the non-executive directors do not participate in any share-based incentive plans.

The remuneration of Homeloans' executive directors and senior management consists of elements of fixed salary (including superannuation and allowances), short-term performance incentives assessed over Homeloans' financial year and long-term performance incentives assessed over periods of three to five years.

Consistent with section 206J of the Corporations Act, it is Homeloans' policy to prohibit senior management from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

3.20 Indemnity of directors and officers

Homeloans has entered into deeds to indemnify each Homeloans director against liability incurred in, or arising out of, the conduct of the business of Homeloans or the discharge of the duties of that Homeloans director.

Homeloans has also paid insurance premiums to insure against legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as directors and officers of Homeloans and any other payments arising from liabilities incurred by the officers in connection with such proceedings (other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage to themselves or someone else or to cause detriment to Homeloans).

3.21 Capital and liquidity risk management

(a) Capital risk management

Homeloans manages its capital and liquidity to safeguard its ability to continue as a going concern and to ensure that it can continue to provide returns to Shareholders and benefits to other stakeholders, and to maintain an optimal structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Homeloans may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, buy back its Shares on market, issue new Shares, sell assets, or otherwise adjust debt levels.

(b) Liquidity risk

Homeloans manages liquidity risk exposure by:

- maintaining sufficient liquid assets;
- the continuous monitoring of actual and forecast cash flows; and
- matching the maturity profiles of financial assets and liabilities.

3.22 Substantial Shareholders

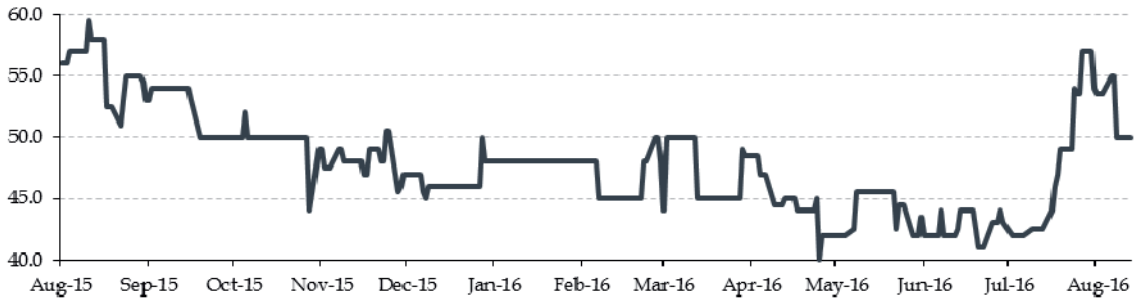
As at 23 August 2016, being the day prior to lodgement of this Explanatory Memorandum for review by ASIC, so far as is known to Homeloans based on publicly available information, there are no other substantial holders of Shares, except as set out below:

Substantial shareholder	Voting power
Macquarie Bank Limited	19.54%
National Australia Bank Limited	17.54%
Noel Kagi Redbrook Nominees Pty Ltd & Acre Holdings Pty Ltd	13.89%
Carol Holmes & Tico Pty Ltd	11.81%
Robert Peter Cockburn Salmon & Peterlyn Pty Ltd	10.14%

Source: Company.

3.23 Recent Homeloans share price performance

Shares are listed on the ASX under the code "HOM". Set out below is a table summarising recent trading prices of Shares on the ASX.



Source: Iress.

Key market prices of Shares in relation to the timing of the Transaction include:

- $0.46, being the closing price per Share on 19 July 2016, the date immediately preceding the date of the Scheme Implementation Agreement;
- $0.41, being the lowest recorded sale price per Share over the 3 months immediately before the date of the Scheme Implementation Agreement;
- $0.57, being the highest recorded sale price per Share over the 3 months immediately before the date of the Scheme Implementation Agreement; and
- $0.53, being the closing price per Share on 7 September 2016, the date immediately preceding the date of this Explanatory Memorandum.

3.24 Share registry

Address

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
Perth WA 6000

Phone number

1300 850 505

Postal Address

GPO Box D182
Perth WA 6840

3.25 Additional information

(a) Interests of Board & management

As at the date of this Explanatory Memorandum, the number of Homeloans securities held by or on behalf of each Homeloans director are as follows:

Homeloans Director / CEO	Homeloans Shares	Homeloans Performance Rights
Robert Peter Salmon	10,977,449	-
Scott McWilliam	333,352	927,029
Robert Norman Scott	2,156,116	-
Michael Starkey	-	-
Total	**13,466,917**	927,029

Source: Company.

(b) Litigation

Homeloans is from time to time involved in disputes and litigation. As at the date of this Explanatory Memorandum, Homeloans is not aware of any material contractual disputes or litigation in respect of Homeloans, including with its customers or other third parties.

(c) Public information available for inspection

As an ASX listed company and a "disclosing entity" under the Corporations Act, Homeloans Limited is subject to regular reporting and disclosure obligations. In general terms, these require Homeloans to announce price sensitive information to ASX as soon as Homeloans becomes aware of the information, subject to some exceptions. Homeloans has complied with its continuous disclosure obligations.

Homeloans' ASX announcements are available from its website at www.homeloans.com.au and on the ASX's website, www.asx.com.au. Any further announcements by Homeloans will continue to be made available on both these websites after the date of this Explanatory Memorandum.

Homeloans also prepares half yearly and annual reports which include a declaration from the Homeloans directors and an independent auditor's report. These are lodged with ASX and are available at Homeloans' website, www.homeloans.com.au, the ASX's website, www.asx.com.au and at ASIC. Copies of Homeloans' 2015 Annual Report (being the annual financial report most recently lodged), Constitution, corporate governance policies and charters, and other relevant information are available on Homeloans' website at www.homeloans.com.au. Additionally:

- A copy of Homeloans' 2015 Annual Report can be obtained free of charge by contacting Homeloans Company Secretary at Jennifer.Murray@homeloans.com.au; and

- Copies of documents lodged with ASIC in relation to Homeloans may be obtained from, or inspected at, ASIC. Note: ASIC may charge a fee in respect of such service.

(d) Other material information

Except as set out in this Explanatory Memorandum, there is no information material to the making of a decision in relation to the Transaction, being information that is within the knowledge of any Homeloans director at the time of the lodging of this Explanatory Memorandum with ASIC for registration, which has not been previously disclosed to Shareholders.

4. Information about RESIMAC

The information contained in this section 4 has been prepared by, and is the responsibility of, RESIMAC and has been unanimously approved by the RESIMAC Directors.

4.1 Background

RESIMAC is a leading non-bank financial institution which commenced operations in 1985. RESIMAC was established by the New South Wales State Government to service and securitise residential loans for HomeFund, a New South Wales government housing program under the name of FANMAC.

In 1993, FANMAC Limited established a private residential lending program via its subsidiary Residential Mortgage Acceptance Corporation Limited. The HomeFund New South Wales Government housing program ceased in 1994 and FANMAC Limited changed its name to RESIMAC Limited in July 2001. As a result of the changes and expansion to RESIMAC's business since it acquired its shareholding, the New South Wales Government indicated its desire to dispose of its investment and this was facilitated by a share buyback in 2003. Since 1995 the RESIMAC loan book has expanded from $600 million to over 21,000 loans worth $5.2 billion (as at 30 June 2016).

RESIMAC's primary activities involve originating, servicing and securitising mortgage assets.

RESIMAC is the pioneer of the securitisation of residential mortgages through the issuance of Australian RMBS, being the first issuer in 1988. Since then it has issued more than $19 billion through 36 domestic and international RMBS issues, demonstrating its enduring presence as a leading non-bank issuer in Australia.

Funding is managed in the short term through warehouse facilities provided by major domestic banks including National Australia Bank, Westpac Banking Corporation and Commonwealth Bank of Australia. Once there is a sufficient amount of assets (i.e. residential home loans) RESIMAC issues RMBS into the domestic and international capital markets through its proven securitisation program.

RESIMAC has a 28 year corporate history in servicing mortgage loans for securitisation programs.

Its processing and servicing systems are proprietary and are maintained with ongoing development by an internal team of information technology specialists. The technology infrastructure of RESIMAC's servicing platform enables a semi-automated operating environment with data verification, document validation and quality assurance procedures for its mortgage loans.

RESIMAC achieved and maintains a residential loan servicer ranking of 'STRONG' as assigned by Standard & Poor's for both its Prime and Non-conforming portfolios, reflecting RESIMAC's significant track record in providing loan servicing solutions for its loan portfolio.

RESIMAC is an unlisted public company with its majority shareholder, Ingot, currently holding 79.04% of RESIMAC Shares.

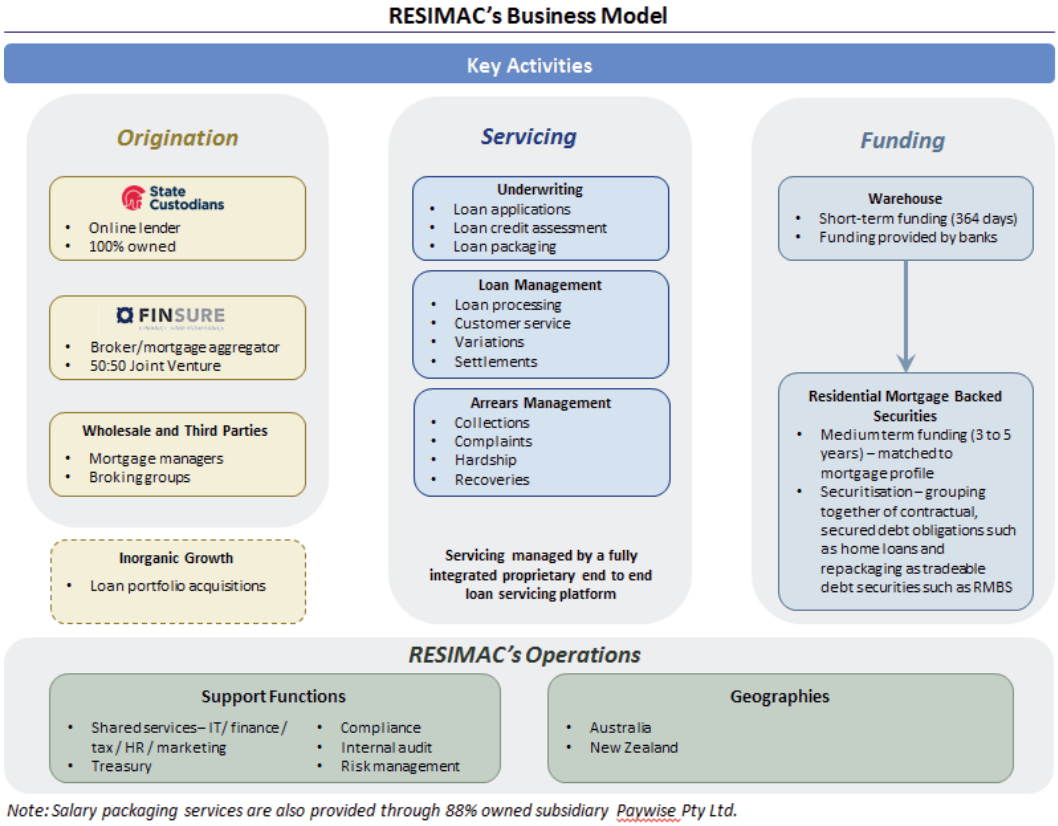
RESIMAC had 135 full-time equivalent employees as at 17 August 2016 across offices in Sydney, Melbourne, Perth, Newcastle and Auckland.

4.2 Business overview

(a) Principal activities

RESIMAC's principal activities are summarised in the chart below:

Figure 7: RESIMAC's Business Model



Note: Salary packaging services are also provided through 88% owned subsidiary Paywise Pty Ltd.

Source: RESIMAC.

(i) Originations

As a non-bank lender, RESIMAC sells home prime and non-conforming loan mortgages to retail customers through its various distribution channels.

RESIMAC historically focused on business-to-business (**B2B**) lending through a wholesale distribution network providing a white-label (unbranded) solution to mortgage managers. It has since diversified into business-to-consumer (**B2C**) (or direct) lending and B2B aggregation broker lending. B2B aggregation broker lending involves mortgage originators and/or aggregators.

Mortgage originators either deal direct with consumers or use a panel of mortgage brokers to introduce loans to consumers. Such mortgage originators package the loan applications prior to submitting to RESIMAC for approval and management of loans after settlement.

Aggregators utilise a panel of mortgage brokers and originate loans through them, acting only as an intermediary for their brokers to have access to a lender's products without the responsibility of managing the borrower's loan post settlement.

The B2B (or direct) lending model utilises RESIMAC's proprietary brands to target consumers via online methods and sponsorship.

RESIMAC's distribution channels enable cross-sell opportunities, including the referral of all State Custodians bank loans through the Finsure channel to capture commission income within the RESIMAC Group. RESIMAC's strategy is to grow the State Custodians and Finsure channels while maintaining wholesale and other third party relationships. These main distribution channels are described below.

State Custodians

State Custodians is an online B2C lender which is 100% owned by RESIMAC. Established in 2007, it provides competitive products to customers using a combination of online and telesales. State Custodians has been awarded the Non-Bank Lender of the Year for five consecutive years, from 2011 to 2015 by Money Magazine. The historical focus of State Custodians has been on prime loans and, while it continues to focus on this space, it also now originates non-conforming loans. This B2C channel enables RESIMAC to access the significant section of the market that is not interested in broker servicing (B2B) options, and will form the foundation for future growth. In FY2016, State Custodians was responsible for 17% of RESIMAC settlements.

Finsure

Established in 2011 as an equal joint venture, Finsure is one of Australia's leading and fastest growing mortgage aggregators. In 2013, Finsure acquired another mortgage aggregator, LoanKit. Finsure has approximately 850 brokers and a loan book greater than $18 billion as at July 2016. Finsure settled over $1 billion of loans in December 2015 and is one of Australia's largest aggregators. Finsure provides its brokers access to home loan finance, commercial finance, asset finance and insurance. Finsure is a major source of prime and non-conforming originations for RESIMAC. In FY2016 Finsure was responsible for 52% of RESIMAC settlements.

Wholesale and other third party relationships

RESIMAC utilises the traditional wholesale distribution channel for prime and non-conforming and is currently the most reliable source of Non-Conforming loans. Wholesale originators or mortgage managers perform the additional role of loan packaging for a fee and traditionally market under their own brand. In FY2016, third party originators accounted for 31% of RESIMAC settlements.

(ii) Non-organic growth (major acquisitions)

RESIMAC has also grown its loan portfolio through several targeted strategic acquisitions.

RHG

RESIMAC acquired the $1.77 billion RHG Limited prime mortgage assets portfolio on 8 January 2014. The $1.77 billion portfolio comprised of $485 million in existing RMBS trusts and $1.29 billion in warehouse facilities. RESIMAC utilised its long-standing investor and banking relationships to enable 100% third party financing of the warehouse assets through the introduction of three different warehouses with two different major banks and three investors in the mezzanine tranches.

The portfolio was originally serviced by a third party however in September 2014 it was successfully transitioned onto RESIMAC's proprietary loan servicing platform. The portfolio was subsequently refinanced through a restructure of the acquisition funding by issuance of RMBS and new warehouse funding.

New Zealand

In December 2011, RESIMAC acquired a controlling shareholding in a residential mortgage securitisation business in New Zealand, and acquired the remaining 20% shareholding in December 2013. The purchase included the purchase of a loan book funded in an existing warehouse facility and outstanding term deal. In July 2012, RESIMAC formalised processes and transitioned the existing mortgage book from the previous servicing platform to RESIMAC's existing proprietary mortgage servicing and general ledger platform. RESIMAC continues to originate new mortgages in New Zealand.

(iii) Servicing

RESIMAC has a proprietary servicing platform which it uses to service its various loan portfolios (Prime, Non-conforming, RHG and New Zealand). The platform is flexible, fully integrated and workflow based to ensure efficient end to end processing of residential mortgages. Through its Mortgage Tracking System (**MTS**) RESIMAC is able to manage all aspects of a loan including loan processing and underwriting, ongoing client relations/customer care, variations, settlements and arrears management.

The technology behind the platform allows for efficient data verification, document validation and quality assurance procedures for its mortgage loans.

MTS also plays a vital role in ensuring timely and accurate reporting for accounting purposes and reporting for investors in RESIMAC issued RMBS.

The servicing platform has been assigned a 'STRONG' servicer ranking by Standard and Poor's every year since 2006.

(iv) Funding

RESIMAC raises wholesale funding to finance its mortgage loan portfolio in accordance with its regularly renewed funding strategy.

The RESIMAC funding program encompasses short and long-term funding tenors across six distinct programs in Australia (Prime, Non-Conforming and RHG) and New Zealand (Prime and Non-Conforming). The various funding sources provide funding diversification, a global investor base and enables RESIMAC to efficiently fund its mortgage portfolio.

Warehouse

In the short term, RESIMAC uses 364 day facilities provided by three banks in Australia and two banks in New Zealand for both Prime and Non-Conforming loans to ensure funding for daily mortgage settlements and further advances. The facilities are used to support organic origination of mortgages and acquisition of mortgage portfolio opportunities. The warehouses build until there is sufficient capacity for term funding in the debt capital markets (securitisation) by using RMBS.

RMBS

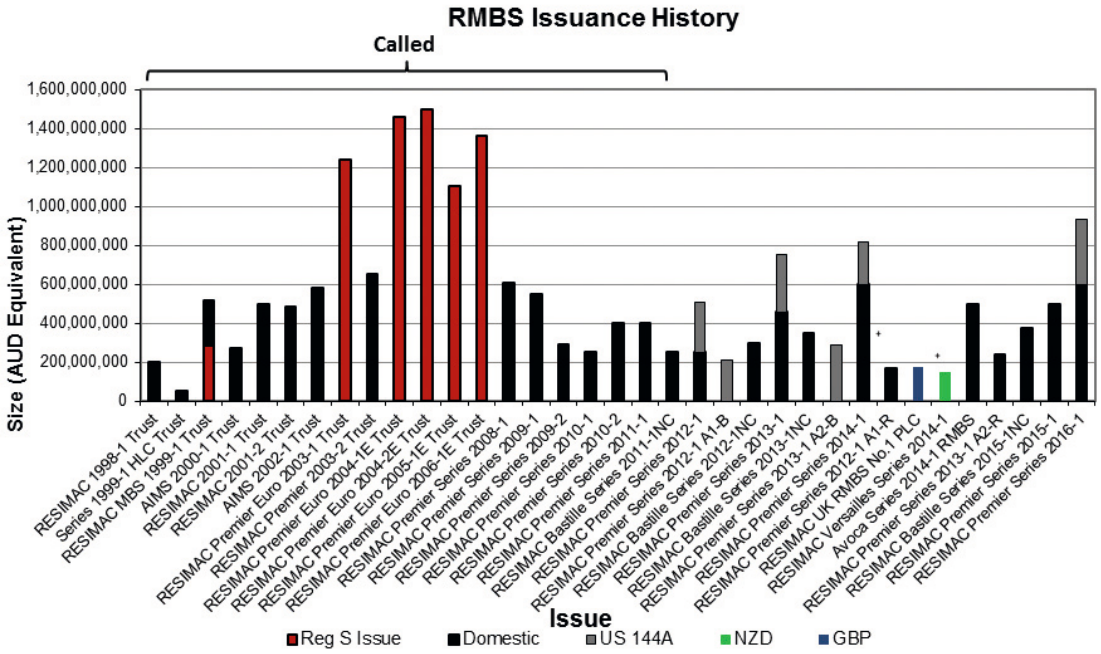
RESIMAC uses RMBS term funding to refinance its warehouses and secure medium to long term funding (3 to 5 years). RESIMAC's securitisation program has been in existence for 28 years and with established support from Australian and international institutional investors. The chart below details the considerable experience in both Prime and Non-Conforming RMBS issuance under the "Premier" (prime loans) and "Bastille" (non-conforming loans) programs. RESIMAC has also recently issued RMBS in New Zealand and United Kingdom. In 2012 under RESIMAC's Premier program, it

successfully launched a 144a program to issue RMBS in US Dollars, and has subsequently issued $USD1.6 billion in total over 6 transactions.

Under the non-conforming Bastille program RESIMAC has issued $2 billion over 5 transactions since the first transaction in 2011, whilst in New Zealand the first securitisation of the RESIMAC Home Loans business was completed in 2014. Also in 2014 RESIMAC successfully issued RMBS under its Avoca program which was the refinance of $500 million of acquired RHG assets.

The chart below details RESIMAC's experience in term issuance since 1998.

Figure 8: RESIMAC RMBS Issuance History



Source: RESIMAC.

(b) Income sources

The majority of RESIMAC's income is derived from the NIM from the funding of the various portfolios detailed below. The NIM is the difference between the interest rate charged to the borrower on the loan and the cost of funding the loan.

The NIM reflects that RESIMAC undertakes the task of funding, pricing and bearing the credit risk on the loan.

A very small portion of income is derived through fees that RESIMAC charges for servicing and managing its RMBS trusts.

(c) Loan portfolio

(i) Prime

RESIMAC's Prime business comprises the majority of the overall portfolio and concentrates on higher quality credit-worthy borrowers who are generally able to provide full income verification. These borrowers are typically pay-as-you-go employees obtaining mortgages for property that is either owner-occupied or for investment purpose. This portfolio is more commoditised than RESIMAC's Non-Conforming portfolio

with lower risk reflected in lower loan-to-value ratios and stricter underwriting criteria. Traditionally each loan in the Prime portfolio has been covered by LMI with each loan written according to the lenders mortgage insurance (**LMI**) providers criteria, however more recently RESIMAC has moved away from insuring loans less than 80% LVR which reflects the change in the general market. Each Prime loan however would still qualify for LMI as RESIMAC's underwriting criteria still satisfied the criteria of each LMI provider.

As at 30 June 2016, the current balance outstanding on the Prime portfolio was $2.97 billion.

(ii) Non-Conforming

RESIMAC's Non-Conforming portfolio caters for borrowers who do not fit the profile of its more commoditised Prime portfolio. Some borrower segments have difficulty obtaining loans given amendments in policies by lenders and mortgage insurers in recent times. Many of such borrowers are strong applicants and are self-employed or have complex refinancing requirements. RESIMAC launched its Non-Conforming business in 2007 which caters for clear credit and credit impaired borrowers as well as prime borrowers who sit outside the criteria of RESIMAC's LMI providers.

These non-conforming loans are conservatively managed to ensure the risk and returns in the portfolio are balanced. Policy and pricing has been used as effective tools to manage the volume of new business and performance of the portfolio. With a higher NIM than the Prime portfolio, the Non-Conforming portfolio complements the lower risk Prime business.

As at 30 June 2016, the current balance outstanding on the Non-Conforming portfolio was $1.12 billion.

(iii) RHG

As noted above in section 4.2(a)(ii), RESIMAC acquired $1.77 billion of prime mortgage assets from RHG Limited on 8 January 2014. At the time of the acquisition, the loans in the RHG portfolio had an average life of 8.5 years, with a minimum of 6.5 years. Given the age, the pool benefited from the build-up of equity in the security values along with borrowers having a long repayment history. In assessing the portfolio, RESIMAC identified opportunities to apply its risk and asset management policies and procedures to improve portfolio performance which it has done successfully since the acquisition. The portfolio benefits from 100% LMI cover.

The RHG portfolio is also serviced through RESIMAC's proprietary servicing platform.

As at 30 June 2016, the current balance outstanding on the RHG portfolio was $910 million.

(iv) New Zealand

RESIMAC's New Zealand business provides a broad range of mortgage products to the New Zealand market. Using the same systems and reflecting the same procedures, corporate governance regimes and policies as in Australia, RESIMAC New Zealand is able to provide significant competition to the more traditional lenders. Similarly to the Australian business, RESIMAC operates both Prime and Non-Conforming businesses in New Zealand.

As at 30 June 2016 the current balance outstanding on the Prime portfolio was $NZD182 million.

(d) Settlements

For the 12 months to 30 June 2016, RESIMAC's total settlements were $1.97 billion, with $1.38 billion relating to Prime and $587 million relating to Non-Conforming loan mortgages.

4.3 RESIMAC Board and senior management

(a) Directors

The RESIMAC Board is comprised of the following members:

Name	Background
Warren McLeland *Executive Chairman and Chief Executive Officer*	Previously a senior managing director with Chase Manhattan Bank (now JPMorgan Chase), Warren has over 30 years' experience, world-wide in financial services. Warren's roles have embraced investment management, stockbroking, treasury and capital markets and risk management. Warren is a director of a number of public and private companies including Somers Limited (chairman), UIL, Wilson HTM Investment Group, Utilico Limited, Ellect Holdings and previously The Trust Company Limited. Warren joined the Board of RESIMAC in 1999 and was appointed Chief Executive Officer in mid-2000 and assumed the role of Executive Chairman and Chief Executive Officer in 2014.
Susan Hansen *Non-Executive Director*	Susan is a Chartered Accountant and holds a Bachelor of Commerce degree. Susan has over 30 years' experience in accountancy practice with top tier accountancy firms and investment banking (financial analysis and risk assessment) in South Africa, the United Kingdom and the United States of America. Susan has established a global financial training company in New Zealand of which she is Chief Executive Officer. Susan also serves on the boards of Utilico Emerging Markets Limited, listed in London, a funds management company in New Zealand and a global education company. In addition, Susan was a Strategy Consultant to the Auckland Regional Services Trust and the Project Manager on the feasibility study of the America's Cup Infrastructure. Following this she was Chief Executive of Viaduct Harbour Holdings Limited. Susan is a member of the Institute of Chartered Accountants in Australia and has an MBA from the University of Cape Town Graduate School of Business. Susan joined the Board of RESIMAC in 2011 and is the Chair of both the Audit Committee and the Risk & Compliance Committee.

Michael Jefferies *Non-Executive Director*	Michael is a Chartered Accountant and holds a Bachelor of Commerce degree. Michael has extensive experience in finance and investment, including 20 years as an executive at Guinness Peat Group Plc. Michael is a non-executive director of Ozgrowth Limited and Afterpay Limited and is Chairman of Touchcorp Limited. Michael was formerly a director of a number of financial services companies including Australian Wealth Management Limited, Tower Australia Limited and Clearview Wealth Limited. Michael joined the Board of RESIMAC in 2014 and is a member of the Audit Committee and the Risk & Compliance Committee.
Mary Ploughman *Executive Director*	Mary commenced with RESIMAC in November 2002 as Director Securitisation, where she assumed overall responsibility for managing RESIMAC's key relationships with its bank funders, investors, government and rating agencies and responsibilities for the New Zealand business and acquisitions. Mary joined RESIMAC from PricewaterhouseCoopers where she was assigned to the firm's specialist financial consulting area. Prior to PricewaterhouseCoopers, Mary worked with Macquarie Bank for a period of 11 years. Her most recent position there was as Executive Director. Mary's experience covers mortgage product and other asset classes and she has also worked on an array of Australian and overseas projects including some of the first securitisation transactions completed in Australia. Mary has a Bachelor of Economics from Sydney University and is Deputy Chair of the Australian Securitisation Forum and a non-executive director of The Sydney Motorway Corporation. Mary joined the RESIMAC Board in May 2016.

(b) Senior management team and profiles

Key members of RESIMAC's senior management team include:

Name	Position
Warren McLeland *Executive Chairman and Chief Executive Officer*	Previously a senior managing director with Chase Manhattan Bank (now JPMorgan Chase), Warren has over 30 years' experience, world-wide in financial services. Warren's roles have embraced investment management, stockbroking, treasury and capital markets and risk management. Warren is a director of a number of public and private companies including Somers Limited (chairman), UIL, Wilson HTM Investment Group, Utilico Limited, Ellect Holdings and previously The Trust Company Limited. Warren joined the Board of RESIMAC in 1999 and was appointed Chief Executive Officer in mid-2000 and assumed the role of Executive Chairman and Chief Executive Officer in 2014.
Mary Ploughman *Executive Director*	Mary commenced with RESIMAC in November 2002 where she assumed overall responsibility for managing some of RESIMAC's key relationships with its bank funders, investors, government and rating agencies. Mary's team has completed in excess of 36 domestic and offshore RMBS transactions including 3 Eurobond programs, with these transactions achieving strong market acceptance whilst being complimented for their innovation, with multi-currency, multi-jurisdictional participation. Mary joined RESIMAC from PricewaterhouseCoopers where she was assigned to the firm's specialist financial consulting area. Prior to PricewaterhouseCoopers, Mary worked with Macquarie Bank for a period of 11 years; serving as a Division Director and her most recent position there as Executive Director. Mary's experience covers mortgage product and other asset classes and she has also worked on an array of Australian and overseas projects including some of the first securitisation transactions completed in Australia. Mary has a Bachelor of Economics from Sydney University and Deputy Chair of the Australian Securitisation Forum and a Non-Executive Director of the Sydney Motorway Corporation. Mary joined the RESIMAC Board in May 2016. Mary also assumes responsibility for the New Zealand business.

Neal Hawkins *Chief Financial Officer*	Neal joined RESIMAC in 2012 and is the Chief Financial Officer. He has responsibility across a broad range of finance function related activities, from financial accounting, tax and management reporting/decision support to transactional payments processing, payroll and cash flow management. Neal has over 18 years of direct Finance and Financial Services experience gained working in the United Kingdom, Australia and across Asia. This has included significant exposure and experience gained in relation to retail banking, securitisation, life insurance, corporate banking, funds management and debt/equity trading. Prior to joining RESIMAC Neal held senior finance roles with three large listed financial services entities – HBOS/Lloyds, Morgan Stanley (based in London) and CBA/Colonial. Neal is a Chartered Management Accountant with an MBA from the Australian Graduate School of Management and 1st Class (hons) Degree.
Mark Anderson *Chief Risk Officer*	Mark commenced with RESIMAC in May 2009 with 34 years' experience in the financial services, banking and insurance sectors, primarily focusing on lending and risk management. During his career, Mark has held the positions of General Manager Operations for IMB Limited, Head of Risk Management (Australia and New Zealand) for AIG Mortgage Risk Solutions, and State Manager of mortgage insurer MGICA Limited (now QBE LMI). Mark has also been a director of the Financial Cooperatives Disputed Resolutions Scheme, Australian Settlements Limited, Lifeline Australia, and has served as a member of the Australian Executive Committee of Visa Australia and a Councillor of The Mortgage Finance Associates of Australia. Mark holds a Bachelor of Commerce (with Distinction) and is a qualified real estate valuer.
Peter Fitzpatrick *Executive - Audit & Compliance and Company Secretary*	Peter is the Company Secretary and Executive - Audit and Compliance. He is a Chartered Accountant who worked for a chartered firm and oil explorer before joining RESIMAC in 1987. Peter is responsible for RESIMAC's governance framework. Peter is also a member of the Governance Institute of Australia, the Financial Services Institute of Australasia and the Institute of Internal Auditors.

Luis Orp *Chief Operating Officer*	Luis commenced with RESIMAC in April 2001 after 4 years in the treasury and funding area of Elderslie Finance. He worked in the securitisation and funding area of RESIMAC for 8 years and was appointed to the position of Chief Financial Officer in June 2009, a position he held for the following 6 years. Luis holds a Bachelor of Commerce degree, a Master of Business degree and is also a CPA. Luis now assumes responsibility for Operations and the Project Office as Chief Operating Officer. He is a Non-Executive Director of Finsure and has recently been appointed Chief Executive Officer of Paywise Pty Limited.
Pierre de Villecourt *Chief Information Officer*	Pierre was appointed as Chief Information Officer at RESIMAC in April 2009. Having had considerable experience furthering technology in both start-up and established business environments. Pierre is responsible for all Information Technology functions within the Enterprise (including strategy, infrastructure, applications and development to improve business efficiency and processes while ensuring data integrity to ensure a secured environment for our customers). Prior to joining RESIMAC, Pierre was the Chief Information Officer at Fox Symes where he was charged with establishing current and long range technology objectives, plans, and policies. This followed similar senior roles for the Bluestone Group and Charles Schwabb.

4.4 Historical financial information

(a) Basis of preparation

The historical financial information in this section is a summary only. The full financial accounts for RESIMAC for the financial years 2014 and 2015 described on the following pages, which include the notes to the accounts, can be found in RESIMAC's annual reports for those periods. RESIMAC's shareholders are provided annual financial statements prior to each annual general meeting and they are also available to shareholders on request to RESIMAC's company secretary.

The historical financial information included in this section 4.4 reflects a summary view of the audited income statements for RESIMAC for the financial years ended 30 June 2014 and 30 June 2015, and the balance sheets of RESIMAC as at 30 June 2014 and 30 June 2015.

The information provided in relation to the income statement for RESIMAC the financial year ended 30 June 2016 and the balance sheet of RESIMAC as at 30 June 2016 have been sourced from preliminary financial reports that are in the process of being audited.

This unaudited financial information has been prepared in accordance with RESIMAC's accounting policies, including internal accounting and budgeting processes undertaken

by management of RESIMAC. The underlying basis of completion reflects a statutory accounting approach to present the results in a manner deemed appropriate for this Explanatory Memorandum. The RESIMAC Board believes this unaudited financial information was prepared with due care and attention and consider all assumptions to be reasonable when taken as a whole. However, this information is not audited and is subject to change.

(b) Consolidated income statement

A summary of the audited income statements for RESIMAC for the financial years ended 30 June 2014 and 30 June 2015, together with a summary of the unaudited income statement for RESIMAC for the financial year ended 30 June 2016, is shown below:

Income Statement			
	RESIMAC Ltd. [1]	**RESIMAC Ltd.** [1]	**RESIMAC Ltd.** [1]
	2014	**2015**	**2016**
	Actual	Actual	Unaudited
	A$m	A$m	A$m
Net Interest Income	52.8	57.3	73.5
Net Non Interest Income / (Expense)	(11.8)	(3.8)	(3.6)
Total Income	**40.9**	**53.4**	**69.9**
Employment Expense	(22.2)	(25.9)	(28.9)
Other Operating Expenses	(18.3)	(17.7)	(18.6)
Total Operating Expenses	**(40.5)**	**(43.5)**	**(47.5)**
Bad Debt Expense	(4.1)	0.6	(4.3)
Net profit/loss before adjustments and income tax	**(3.7)**	**10.5**	**18.1**
Change in NPV on future trail commissions receivables and payables	-	-	-
Net profit/loss after adjustments, before income tax	**(3.7)**	**10.5**	**18.1**
Income tax expense	(1.1)	(3.0)	(5.2)
Net Profit after Tax	**(4.8)**	**7.5**	**12.8**

Notes

(1) RESIMAC LTD Consolidation Assumptions

a Based upon Statutory Accounting View with reclassifications.
b FY'16 result is subject to change until the audit has been completed and statements signed.
c Rounding differences are apparent in relation to small balances in particular.

(c) Consolidated balance sheet

A summary of the audited balance sheets for RESIMAC as at 30 June 2014 and 30 June 2015, together with a summary of the unaudited balance sheet for RESIMAC as at 30 June 2016, is shown below:

Balance Sheet	RESIMAC Ltd.[1] 2014 Actual A$m	RESIMAC Ltd.[1] 2015 Actual A$m	RESIMAC Ltd.[1] 2016 Unaudited A$m
Cash & Cash Equivalents	176.5	181.8	160.0
Loans & advances	5,026.2	4,454.8	5,237.8
Goodwill	0.4	0.4	0.4
Future trail commission receivables	-	-	-
Other Assets	20.1	53.5	48.2
Total Assets	**5,223.3**	**4,690.6**	**5,446.4**
Bond borrowings	5,107.8	4,587.7	5,333.9
Future trail commission payables	-	-	-
Other liabilities	54.5	33.1	30.0
Total Liabilities	**5,162.3**	**4,620.8**	**5,363.9**
Net Assets	**61.0**	**69.8**	**82.5**
Issued capital	64.0	64.0	64.0
Reserves	(1.2)	(0.4)	(0.5)
Retained Earnings	(1.8)	6.3	19.1
Non-controlling interests	-	(0.0)	(0.0)
Equity	**61.0**	**69.8**	**82.5**

Notes

(1) RESIMAC LTD Consolidation Assumptions

a Based upon Statutory Accounting View with reclassifications.
b FY'16 result is subject to change until the audit has been completed and statements signed.
c Rounding differences are apparent in relation to small balances in particular.

(d) Material changes in the financial position of RESIMAC

RESIMAC's latest published and audited financial statements laid before its shareholders at a general meeting are the financial statements for 30 June 2015. RESIMAC has provided summaries of the unaudited financial statements for 30 June 2016, which have been prepared based upon a statutory accounting view with reclassifications. The information provided in this section 4.4 outlines the material changes in the financial position of RESIMAC between 30 June 2015 and 30 June 2016.

As at the date of this Explanatory Memorandum, to the knowledge of the RESIMAC Directors, there have been no material changes to the unaudited financial position of RESIMAC since 30 June 2016. RESIMAC Shareholders should be aware that the audit process is continuing and therefore the unaudited financial statements for 30 June 2016 are subject to change. RESIMAC will disclose to RESIMAC Shareholders any material changes which have crystallised in relation to RESIMAC's financial position that are within the knowledge of the RESIMAC Directors and that occur after the date of this Explanatory Memorandum and before the Scheme is approved by the Court.

4.5 Dividends

RESIMAC has not paid any dividends in the last three financial years.

4.6 RESIMAC's securities

As at the date of this Explanatory Memorandum, RESIMAC has 22,230,489 ordinary shares on issue. Ingot, who holds 79.04% of RESIMAC Shares, is the largest shareholder of RESIMAC. RESIMAC has no other securities on issue.

4.7 Intentions of the RESIMAC Board

If the Scheme is Implemented, the existing RESIMAC Board will be reconstituted on the Implementation Date in accordance with the terms of the Scheme Implementation Agreement.

It is for the reconstituted board of the Merged Group to determine its intentions as to:

- the continuation of RESIMAC's business or how the business will be conducted after the Implementation of the Scheme;
- any major changes to the business of RESIMAC, including any redeployment of the fixed assets of RESIMAC; or
- the future employment of present employees of RESIMAC.

The intentions of the Merged Group are set out in section 5.4 of this Explanatory Memorandum.

If the Scheme is not Implemented, the RESIMAC Directors will continue to implement RESIMAC's current business plan.

4.8 Capital and liquidity risk management

(a) Capital risk management

The RESIMAC Group manages its capital to ensure that entities in the RESIMAC Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its debt and equity balance. The capital structure of the RESIMAC Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings and the statement of changes in equity respectively. The RESIMAC Group operates in Australia, and New Zealand, primarily through subsidiary companies established in the markets in which the RESIMAC Group trades. None of the RESIMAC Group’s entities are subject to externally imposed capital requirements.

(b) Liquidity risk

The RESIMAC Group manages its liquidity risk through continuously monitoring of forecasted and actual cash flows and matching the maturity profiles of assets and liabilities. Warehouse funding facilities are used to fund mortgage assets in the short-term (generally less than one year) with securitisation markets used in the medium term (generally greater than one year). Operating cash flows are used to maintain and expand the RESIMAC Group’s assets, as well as to make the routine outflows of tax, dividends and repayment of maturing debt.

4.9 Share registry

Address

C/- Danielle Corcoran
RESIMAC Limited
Level 9
45 Clarence Street
Sydney, NSW 2000

Phone Number

+612 9248 6530

4.10 Additional information

(a) Litigation

RESIMAC is from time to time involved in disputes and litigation. As at the date of his Explanatory Memorandum, RESIMAC is not aware of any material contractual disputes or litigation in respect of RESIMAC, including with its customers or other third parties.

(b) Public information available for inspection

RESIMAC is a public company and prepares annual reports which include a declaration from RESIMAC Shareholders and an independent auditor's report. These are lodged with ASIC. Copies of documents lodged with ASIC in relation to RESIMAC may be obtained from, or inspected at, ASIC.

5. Information about the Merged Group

5.1 Profile of the Merged Group

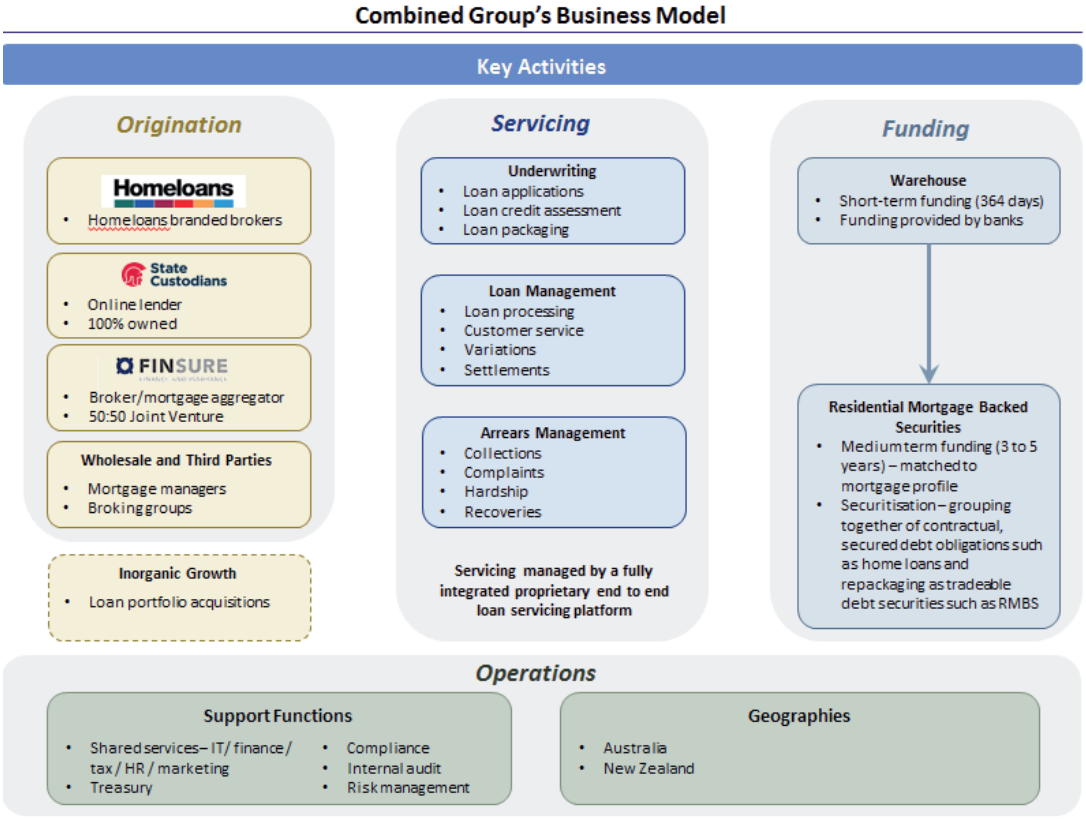
Implementation of the Scheme will create a leading non-bank lending and multi-channel distribution business within Australia and New Zealand.

The Merged Group will continue with RESIMAC's vertically integrated business model with a further diversified distribution platform as well as strong funding capabilities that will provide the ability to finance the Merged Group's loan originations and utilise RESIMAC's proprietary servicing platform. RESIMAC's 28 year history of securitisation funding expertise gained through raising over $19 billion in the RMBS market and its 'STRONG' servicer ranking, as assigned by Standard & Poor's, complements Homeloans' national own-branded retail and third party channel distribution and wholesale funding model.

The merger of the businesses of RESIMAC and Homeloans will create a portfolio including $5.4 billion in principally funded assets, $3.8 billion in loans under management, $4.1 billion in loans under administration and combined new annual originations exceeding $3 billion in the 12 months to 30 June 2016. The increased scale of the Merged Group will enable it to attract more borrowers, increase brand awareness and improve efficiency of its cost base. In addition, the Merged Group is expected to attract more investors into the existing RESIMAC funding program and provide access to alternative sources of capital to support incremental growth. Shareholders of the Merged Group will be able to participate in the value created in a larger financial services company and through the realisation of potential operational and revenue synergies.

5.2 Business overview

Upon Implementation, the Merged Group will have the following principal activities across Australia and New Zealand as illustrated and described below.



Note: Salary packaging services are also provided through 88% owned subsidiary Paywise Pty Ltd.

(a) Origination

The Merged Group will have deep origination channels through its proprietary channels (branded brokers, State Custodians, and Finsure) and third party distributor relationships (aggregators, brokers, mortgage managers). The amalgamation of RESIMAC's traditional wholesale distribution channel, B2C model (State Custodians), and B2B aggregation broker lending (Finsure) with Homeloans' own-branded mortgage broker channel and additional third party aggregator and broker relationships, will provide the Merged Group with diversified distribution capabilities with strength in both B2B and B2C distribution. It is anticipated the Merged Group will focus on growing its B2C channel allowing it to grow its direct to consumer customer base and leverage branding opportunities.

(b) Servicing

The Merged Group will support its originations through a fully integrated proprietary end-to-end loan servicing platform providing underwriting, loan management and arrears management capabilities. Both RESIMAC and Homeloans bring strong customer service expertise and the flexibility of RESIMAC's system will allow the Merged Group to manage new originations as well as acquired loan portfolios.

(c) Funding

The Merged Group will have access to a broad range of sources of funding, including RESIMAC's funding program which encompasses short and long-term funding tenors across programs in Australia and New Zealand. The funding program will comprise short term warehouse funding as well as RMBS for refinancing warehouses to secure medium to long-term funding. The Merged Group's larger scale is expected to drive increased investor confidence building upon RESIMAC's successful history of funding in the capital markets.

(d) Mortgage Management Business

The Merged Group will continue to develop and grow Homeloans' existing white label relationship which has the added benefit of generating the diversity of income sources for the Merged Group.

The Merged Group will be supported by shared service functions such as IT, finance, tax, human resources and marketing as well as treasury, compliance, internal audit and risk management.

5.3 Benefits of the Merged Group

The Merged Group will benefit from a number of key strategic and financial benefits with the ability to leverage key capabilities, as described below.

(a) The Merged Group will have improved access to capital due to its increased scale and public listing.

(i) **Benefits of scale**

The Merged Group will have a pro forma combined equity value of $208.7 million (based on the closing price of Homeloans Shares of $0.53 on 6 September 2016 and total shares outstanding of 393,687,081 upon Implementation). On 6 September 2016, Homeloans stand-alone equity value was $57.4 million (based on 108,247,602 shares outstanding fully diluted for Homeloans Performance Rights) and RESIMAC's implied equity value was $151.3 million (based on Homeloans' share price on that date multiplied by 285,439,479 shares, the number of Homeloans shares that will be issued to RESIMAC Shareholders upon Implementation).

(ii) **Access to a broader investor base for RESIMAC's funding program**

The enlarged scale of the Merged Group and the fact it is a listed company is expected to increase investor confidence and result in an improved ability to raise debt to fund its mortgage portfolio. Being a listed entity will provide access to a broader range of debt investors than RESIMAC has previously had access to as an unlisted entity.

(iii) **Access to equity capital**

The listed environment will assist with access to equity capital, as compared to RESIMAC as a standalone unlisted entity.

(b) The Merged Group is expected to benefit from having diversified income streams

As described in section 4.2, RESIMAC predominantly generates its income from earning a net interest margin (**NIM**) from its principally funded loan book, and as described section 3.2, Homeloans' currently generates mainly fee-based income. As outlined in section 5.4, the Merged Group's intention is to continue to generate both types of income streams. As a result of having diversified income streams, the Merged Group will have a lower risk profile than RESIMAC as a stand-alone entity.

(c) The Merged Group is expected to have access to cost and revenue synergies

The Merged Group expects to achieve annual cost synergies of approximately $6 million within 12 to 18 months of Implementation of the Scheme. The larger size of the Merged Group compared to the standalone size of RESIMAC and Homeloans respectively will enable the Merged Group to achieve economies of scale through leveraging fixed costs and achieving greater standardisation across the business.

(i) **Cost Synergies**

Key components of the cost synergies include centralising and consolidating shared services functions and improving efficiency through the removal of any duplicated support framework, which in turn will result in a reduction in labour costs.

There will also be an opportunity to migrate select parts of the RESIMAC operations to the off-shore service centre currently utilised by Homeloans to achieve efficiency gains and reduce overheads. In addition, rationalisation of lease expenses and other operating expenditure optimisation initiatives, including combining marketing initiatives will help reduce overall spend.

The Combined Group expects cost synergies to comprise:

- Reduction in labour costs primarily from rationalisation of duplicated roles, being approximately $4 million;
- Reduction in leasing costs from non-renewal of certain leases upon expiry or sub-leasing excess floor space, being approximately $1 million; and
- Other reductions in operating expenditure, primarily through savings in marketing expenditure, being approximately $1 million.

(ii) **Revenue Synergies**

The Scheme also has the potential to generate revenue synergies, including:

- the ability to fund a portion of Homeloans branded book with RESIMAC's balance sheet;
- access to distribution channels that were not previously available to RESIMAC;
- development of the Homeloans brand to complement RESIMAC's B2C opportunities; and
- customer retention opportunities through the ability to offer Homeloans customers RESIMAC product.

(d) Combining the Homeloans business with RESIMAC will complement RESIMAC's existing vertically integrated business model

The Merged Group will benefit from the diversification of distribution and branded products which will further strengthen RESIMAC's existing capabilities. For the 12 months to 30 June 2016, the Merged Group's pro-forma annual originations of branded products were approximately $3 billion.

5.4 Intentions of the Merged Group

The following statements are the current intentions of RESIMAC and Homeloans. Final decisions in relation to any of these matters are for the Board of the Merged Group in light of all material information, facts and circumstances at the relevant time.

Accordingly, it is important to recognise that the statements set out in this section are statements of current intention only, which may change with the appointment of the Board of the Merged Group, as new information becomes available or as circumstances change.

(a) Continuation of RESIMAC and Homeloans businesses

It is the current intention of RESIMAC and Homeloans that the Merged Group will continue to operate the businesses and brands of RESIMAC and Homeloans in substantially the same manner as they are currently being conducted. The Merged Group will continue to review all aspects of the assets and operations to identify ways to maximise value for all shareholders.

(b) Integration

The Merged Group intends to establish a transition team to manage the smooth transition of RESIMAC into Homeloans to minimise disruption to the business.

Homeloans and RESIMAC intends to integrate their businesses and the Merged Group will evaluate the rationalisation and consolidation of existing operations and processes. Examples of these include the offshoring of select parts of RESIMAC's operations to Manila, Philippines to extract additional cost savings. Through integrating businesses and processes, the Merged Group expects to realise improved efficiency and synergy benefits over time.

(c) Members of the Merged Group's Board of directors and senior management

In accordance with the Scheme Implementation Agreement, RESIMAC and Homeloans have agreed that the Board of the Merged Group will be comprised of three nominees of RESIMAC, two nominees of Homeloans, and an independent non-executive director as agreed between the parties. RESIMAC has the right to appoint the chair of the Board. See section 5.5 for more information.

Homeloans is required to procure the resignation of the directors of Homeloans (other than the two nominees appointed to the Board of the Merged Group).

(d) Dividend policy

If the Scheme is implemented, it is intended that the Merged Group's Board will determine the dividend policy of the Merged Group having regard to its profits, its financial position and an assessment of the capital required to grow its businesses. Accordingly, there can be no guarantee that the Merged Group will continue to pay dividends in line with Homeloans' historical dividend policy, although the current intention is that the Merged Group will continue to pay a dividend consistent with its continued balance and focus between increasing yield and deriving capital growth.

(e) Employees

On implementation of the Scheme, Warren McLeland will be the Managing Director of Homeloans. Scott McWilliam and Mary Ploughman will be appointed Joint Deputy Managing Directors. See section 5.3 for more information.

Homeloans and RESIMAC expect that the integration of their businesses will result in the duplication of a number of employee roles. Part of the integration process will be to identify these duplicated roles and, where appropriate, the rationalisation of these duplicated roles may result in employee redundancies. The Merged Group will undertake a review of the resourcing needs of its business and address these needs following Implementation of the Scheme.

5.5 Merged Group's Board of directors and senior management

(a) Merged Group Board of directors

Under the Scheme Implementation Agreement, Homeloans and RESIMAC have agreed that the Board of the Merged Group will be comprised of three nominees of RESIMAC, two nominees of Homeloans, and an independent non-executive director as agreed between the parties. RESIMAC has the right to appoint the chair of the board. RESIMAC's intention is to appoint the independent non-executive director as chair of the board of the Merged Group.

Homeloans' and RESIMAC's current intention is that the board of directors of the Merged Group following the Scheme will be comprised of the following people:

Name	Position
Warren McLeland	Managing Director
Susan Hansen	Non-executive director
Michael Jefferies	Non-executive director
Robert Salmon	Non-executive director
Robert Scott	Non-executive director
To be appointed	Independent chair

RESIMAC and Homeloans have commenced their search for an independent chair for the Merged Group. To the extent that a suitable candidate has not yet been finalised on Implementation of the Scheme, it is intended that Susan Hansen will fulfil the role as acting chair of the board of the Merged Group until a suitable candidate has been finalised.

(b) Merged Group senior management

Warren McLeland, the current Executive Chairman and Chief Executive Officer of RESIMAC, will be the Managing Director of Homeloans on Implementation of the Transaction. Scott McWilliam, current Chief Executive Officer of Homeloans, and Mary Ploughman, current Executive Director of Securitisation of RESIMAC, will be appointed Joint Deputy Managing Directors.

The remaining members of the Merged Group's senior management team have not been finalised as at the date of this Explanatory Memorandum.

(c) Corporate governance

It is intended that the chair of the board of the Merged Group will be an independent director. Susan Hansen and Michael Jefferies, who are currently independent directors on the RESIMAC Board, and Robert Scott, who is currently an independent director on the Homeloans Board, will also be directors on the board of the Merged Group. The board of the Merged Group will re-assess and determine the independence of its directors at the first board meeting of the Merged Group.

As outlined in this section 5.5, Warren McLeland will become Managing Director of the Combined Group. Warren McLeland is also the current Chairman of Somers, and if the Somers Option is exercised, Somers will become the majority shareholder of the Combined Group. The board of the Combined Group will manage any conflicts of interest to the extent any conflict arises.

5.6 Capital structure following Implementation of the Transaction

If the Scheme is implemented, Homeloans will issue 285,439,479 Shares to RESIMAC Shareholders. As a result of the Scheme, the number of Shares on issue will increase from approximately 108,247,602 (being the number currently on issue, the Performance Rights that are due to vest on 1 September 2016 and the remaining Performance Rights that vest on an accelerated basis upon Implementation) to 393,687,081, as illustrated below:

Merged Group Share Capital	
Homeloans	
Homeloans Shares outstanding	105,970,525
Homeloans Performance Rights	2,277,077
RESIMAC	
Projected RESIMAC Shares on issue immediately prior to implementation of the Scheme	22,230,489
Merger Ratio	12.84
New Homeloans Shares to be issued to RESIMAC Shareholders	285,439,479
Total Homeloans Shares	**393,687,081**

Homeloans currently has 2,277,077 Performance Rights outstanding. Upon the Scheme becoming Effective, it is the intention of Homeloans to accelerate the vesting date of all outstanding Performance Rights. Certain Performance Rights will be subject to escrow arrangements whereupon the holder will be unable to deal in their shares until the earlier of 31 August 2017 or the date ending 12 months from the relevant date on which the escrow shares are first quoted on the ASX. Refer to section 3.12 for further details regarding the Performance Rights.

5.7 Pro forma historical financial information

(a) Basis of preparation

The historic financial information reflects a hypothetical summary of the preliminary result for the 12 months to 30 June 2016 as if the Transaction had taken place on 1 July 2015. The pro forma historical financial information is indicative only and the Merged Group's actual financial performance and position may be different from what is presented below. It is not expected that this view would be replicated in the financial statements for the 12 months to 30 June 2017 in the event the Transaction completes during the financial year ended 30 June 2017. The Merged Group result is based on the assumption that RESIMAC would be deemed to have overall control of Homeloans and the Homeloans financial year result is consolidated into RESIMAC, rather than following the legal form of RESIMAC being acquired by Homeloans.

While the underlying basis of the preparation of accounts reflects a statutory accounting approach, items have been reclassified to present the results in a manner deemed appropriate for this Explanatory Memorandum. In particular, the change in Net Present Value on future trail commission receivables and payables relating to Homeloans has been disclosed separately under one line item to support transparency. Goodwill has been calculated as set-out per the notes to the balance sheet and intercompany transactions have been materially eliminated.

Until the current audit process for both RESIMAC and Homeloans for the 12 months to 30 June 2016 has been completed, the respective financial reports are subject to change.

(b) Pro forma historical income statements

Income Statement		RESIMAC Ltd. [2] 2016 Proforma A$m	Homeloans Ltd. [3] 2016 Proforma A$m	Consolidation Entries 2016 Proforma A$m	Merge Co. [1] 2016 Proforma A$m
Net Interest Income	[5]	73.5	4.0	(1.3)	76.1
Net Non Interest Income / (Expense)		(3.6)	17.4	-	13.9
Total Income		**69.9**	**21.4**	**(1.3)**	**90.0**
Employment Expense		(28.9)	(10.5)	-	(39.3)
Other Operating Expenses		(18.6)	(6.1)	-	(24.7)
Total Operating Expenses		**(47.5)**	**(16.6)**	**-**	**(64.1)**
Bad Debt Expense		(4.3)	-	-	(4.3)
Net profit/loss before adjustments and income tax		**18.1**	**4.8**	**(1.3)**	**21.6**
Change in NPV on future trail commissions receivables and payables	[5]	-	2.7	(2.1)	0.6
Net profit/loss after adjustments, before income tax		**18.1**	**7.5**	**(3.4)**	**22.2**
Income tax expense	[5]	(5.2)	(2.3)	1.0	(6.5)
Net Profit after Tax		**12.8**	**5.3**	**(2.4)**	**15.7**

Notes

(1) New Mergo Co.

a Assume acquisition date is 1 July 2015.

(2) RESIMAC LTD Consolidation Assumptions

a Based upon Statutory Accounting View with reclassifications.
b FY'16 result is subject to change until the audit has been completed and statements signed.
c Rounding differences are apparent in relation to small balances in particular.

(3) HOMELOANS LTD Consolidation Assumptions

a Based upon Statutory Accounting View with reclassifications.
b FY'16 result is subject to change until the audit has been completed and statements signed.
c Rounding differences are apparent in relation to small balances in particular.

(4) Mergo Co. Goodwill and Equity Adjustments

a Assume Fair Value of Homeloans Ltd. is 30 June 2016 quoted share price ($0.440 per share) multiplied by No. Ordinary Shares on issue (105,727,219) as at 30 June 2016: A$46m.
b Total Issued Capital for RESIMAC Ltd. standalone as at 30 June 2015 is $64m
c Total Issued Capital for new Merge Co. is RESIMAC Ltd. standalone Issued Capital as at 30 June 2015 plus Fair Value of Homeloans as at 30 June 2016.
d Total Net Assets of Homeloans as at 30 June 2015 is $44m less NPV Trail Asset Relating to RESIMAC = $42m
e Merge Co. Goodwill as at 30 June 2016 is the Fair Value of Homeloans as at 30 June 2016 less Net Assets of Homeloans as at 30 June 2015 less the NPV of the Trail Commission related asset relating to RESIMAC Ltd. product sales (plus any existing goodwill).

(5) Mergo Co. Inter-company transactions

a Intercompany transactions such as commission payments/receipts have been eliminated.

(c) Pro forma historical balance sheet

Balance Sheet		RESIMAC Ltd.[2] 2016 Proforma A$m	Homeloans Ltd.[3] 2016 Proforma A$m	Consolidation Entries 2016 Proforma A$m	Merge Co.[1] 2016 Proforma A$m
Cash & Cash Equivalents		160.0	12.6	-	172.6
Loans & advances	(5)	5,237.8	181.1	(1.8)	5,417.1
Goodwill	(4)	0.4	13.2	4.4	18.1
Future trail commission receivables	(5)	-	68.9	(3.5)	65.4
Other Assets	(5)	48.2	5.1	1.0	54.3
Total Assets		**5,446.4**	**280.9**	**0.2**	**5,727.5**
Bond borrowings		5,333.9	188.9	-	5,522.8
Future trail commission payables		-	30.2	-	30.2
Other liabilities		30.0	17.1	-	47.1
Total Liabilities		**5,363.9**	**236.2**	**-**	**5,600.1**
Net Assets		**82.5**	**44.7**	**0.2**	**127.4**
Issued capital	(4)	64.0	39.5	7.0	110.5
Reserves	(4)	(0.5)	1.3	(1.4)	(0.6)
Retained Earnings	(4)	19.1	3.9	(5.4)	17.5
Non-controlling interests	(4)	(0.0)	-	-	(0.0)
Equity		**82.5**	**44.7**	**0.2**	**127.4**

Notes

(1) New Mergo Co.

a Assume acquisition date is 1 July 2015.

(2) RESIMAC LTD Consolidation Assumptions

a Based upon Statutory Accounting View with reclassifications.
b FY'16 result is subject to change until the audit has been completed and statements signed.
c Rounding differences are apparent in relation to small balances in particular.

(3) HOMELOANS LTD Consolidation Assumptions

a Based upon Statutory Accounting View with reclassifications.
b FY'16 result is subject to change until the audit has been completed and statements signed.
c Rounding differences are apparent in relation to small balances in particular.

(4) Mergo Co. Goodwill and Equity Adjustments

a Assume Fair Value of Homeloans Ltd. is 30 June 2016 quoted share price ($0.440 per share) multiplied by No. Ordinary Shares on issue (105,727,219) as at 30 June 2016: A$46m.
b Total Issued Capital for RESIMAC Ltd. standalone as at 30 June 2015 is $64m
c Total Issued Capital for new Merge Co. is RESIMAC Ltd. standalone Issued Capital as at 30 June 2015 plus Fair Value of Homeloans as at 30 June 2016.
d Total Net Assets of Homeloans as at 30 June 2015 is $44m less NPV Trail Asset Relating to RESIMAC = $42m
e Merge Co. Goodwill as at 30 June 2016 is the Fair Value of Homeloans as at 30 June 2016 less Net Assets of Homeloans as at 30 June 2015 less the NPV of the Trail Commission related asset relating to RESIMAC Ltd. product sales (plus any existing goodwill).

(5) Mergo Co. Inter-company transactions

a Intercompany transactions such as commission payments/receipts have been eliminated.

5.8 Ownership of Homeloans after Implementation

(a) Top 15 Shareholders after Implementation if Somers Acquisition has taken place

Based on Homeloans' Share register as at the date of this Notice, the top 15 Shareholders of Homeloans following completion of the proposed Transaction will be as follows:

Shareholder Name	No. of Shares	% Held
Somers Limited	231,922,077	58.91%
National Australia Bank Ltd	31,577,876	8.02%
Macquarie Bank Ltd	22,418,810	5.69%
Motrose Pty Ltd	15,277,905	3.88%
Noel Kagi, Redbrook Nominees Pty Ltd & Acre Holdings Pty Ltd	14,685,656	3.73%
Carol Holmes & Tico Pty Ltd	12,784,524	3.25%
Warren J McLeland	11,440,055	2.91%
Robert Peter Cockburn Salmon & Peterlyn Pty Ltd	10,977,449	2.79%
Cuscal Ltd	6,791,115	1.73%
Hartley Phillips Securities Pty Ltd	4,612,318	1.17%
Top 4 Pty Ltd	3,446,317	0.88%
Westpac Banking Corporation	2,493,130	0.63%
Robert Norman Scott	2,156,116	0.55%
Credit Suisse Holdings Australia	1,436,757	0.36%
QBE Lenders Mortgage Insurance	1,212,096	0.31%
Freefloat	20,454,881	5.20%

(b) Top 15 Shareholders if Somers Acquisition has not taken place

Based on Homeloans' Share register as at the date of this Notice, the top 15 Shareholders of Homeloans following completion of the proposed Transaction will be as follows:

Shareholder Name	No. of Shares	% Held
Ingot Capital Management Pty Ltd	225,624,673	57.31%
National Australia Bank Ltd	31,577,876	8.02%
Macquarie Bank Ltd	22,418,810	5.69%
Motrose Pty Ltd	15,277,905	3.88%
Noel Kagi, Redbrook Nominees Pty Ltd & Acre Holdings Pty Ltd	14,685,656	3.73%
Carol Holmes & Tico Pty Ltd	12,784,524	3.25%
Warren J McLeland	11,440,055	2.91%
Robert Peter Cockburn Salmon & Peterlyn Pty Ltd	10,977,449	2.79%
Cuscal Ltd	6,791,115	1.73%
Somers Ltd	6,297,404	1.60%
Hartley Phillips Securities Pty Ltd	4,612,318	1.17%
Top 4 Pty Ltd	3,446,317	0.88%
Westpac Banking Corporation	2,493,130	0.63%
Robert Norman Scott	2,156,116	0.55%
Credit Suisse Holdings Australia	1,436,757	0.36%
Freefloat	21,675,977	5.50%

5.9 Impact on control of the Merged Group

The issue of the Scheme Consideration under the Transaction will result in RESIMAC Shareholders acquiring 72.5% of voting power in the Company.

In summary, if Resolution 1 is passed and the Transaction is completed, the effect will be:

- the number of Shares issued by the Company will increase from 108,247,602 (including 2,277,077 of employee share rights) to 393,687,081 upon completion of the Transaction and the issue of the Scheme Consideration;
- RESIMAC Shareholders will hold 285,439,479 shares in Homeloans;
- the voting power of Ingot and its Associates will be approximately 57.3% as a result of the issue of the Scheme Consideration; or if the Somers Acquisition has taken place, Somers or its Nominee and their Associates will have voting power of 58.9% as a result of the issue of the Scheme Consideration; and
- the Board of Homeloans will be made up of 3 directors appointed by RESIMAC, 2 existing Homeloans directors will continue to serve on the board and RESIMAC and Homeloans will together appoint an Independent Non-Executive Director. RESIMAC has the right to appoint the chair of the board of the Merged Group. RESIMAC's intention is to appoint the independent non-executive director as chair of the board of the Merged Group. To the extent that a suitable candidate has not yet been finalised on Implementation of the Scheme, it is intended that Susan Hansen will fulfil the role as acting chair of the board of the Merged Group until a suitable candidate has been finalised.

Following completion of the Transaction, Ingot, or Somers if the Somers Acquisition has taken place, will have an ability to exert influence over the outcome of matters related to the Company.

5.10 Advantages and disadvantages associated with the Transaction

(a) Advantages

- (**best interests of shareholders**) The Independent Expert is of the opinion that the Transaction is not fair but reasonable and that the advantages of the proposed Transaction outweigh the disadvantages. Accordingly, the Independent Expert believes that it is in the best interests of the Shareholders to vote in favour of the Transaction in the absence of a superior proposal. Advantages identified by the Independent Expert include
    - the Transaction should provide increased earnings per share; and
    - an assessment of the value of the Merged Group shows the Proposed Transaction represents an implied premium of 10.6% to 33.8% to the historical trading price of the Shares
- (**improved scale and market position**): The Merged Group will have a pro forma combined equity value of $208.7 million [2], compared to Homeloans stand-alone equity value of $57.4 million (based on 108,247,602 shares outstanding fully diluted for Homeloans Performance Rights) and RESIMAC's implied equity value of $151.3 million.

[2] Based on the closing price of Homeloans Shares of $0.53 on 6 September 2016.

- (**vertically integrated business model**): The Merged Group combines the benefits of RESIMAC's internal securitisation capability and wholesale and retail distribution model with Homeloans' retail channel and third party channel distribution model.

- (**diversification of distribution**): With a combined loan book of approximately $13 billion, the Merged Group will benefit from the diversification of distribution through the combination of broker networks.

- (**leverage strength of brand names to generate leads**): The Merged Group can leverage Homeloans as a valuable mortgage lead generator through the combination of broker networks.

- (**expand on retail and cross-sell opportunities**): The Merged Group benefits from the retail opportunities arising out of Homeloans' branded brokers and offices, and from cross-sell opportunities between Homeloans client base and RESIMAC's offering.

- (**leverage offshore operations**): The Merged Group can benefit from material cost savings through the migration of select parts of RESIMAC's operations function to the off-shore Manila, Philippines service centre currently utilised by Homeloans.

(b) Disadvantages

- (**proposed Transaction not fair but reasonable**) Based on the approach required under ASIC RG111, which requires the issue of shares under section 611(7) of the Corporation Act to be treated as a scrip takeover bid, the proposed Transaction has been assessed as not fair by the Independent Expert as the fair market value of the Shares on a control basis, before the Transaction, is higher than their assessment of the Shares on a minority basis, after the Transaction. See the Independent Expert Report at Annexure A for further information.

- (**lack of liquidity**): Share price and trading volumes indicate that its Shares are relatively illiquid. Following completion of the proposed Transaction, the top 10 Shareholders of Homeloans will represent ~88.4% of the Share register (as at the date of this Notice). It is expected Shares illiquidity will increase after Implementation.

- (**majority shareholder**): Upon completion of the Transaction (if approved) Ingot will hold 57.3%, or Somers will hold 58.9%, of the Company's Shares. However, current Homeloans Shareholders will together only hold 27.5% of the Company's Shares. As such, current Shareholders will have limited ability to influence the management, operation and control of the Company. Ingot, or Somers if the Somers Acquisition occurs, will be in a position to exert significant influence of the outcome of matters related to the Company, including the election of Directors. The interests of these parties may or may not be different from those of current Shareholders.

- (**loss of control**): Following completion of the proposed Transaction and the issue of the Scheme Consideration, the voting power of Ingot will increase from 0% to approximately 57.3% in Homeloans. If the Somers Acquisition occurs, Somers or its Nominee and their Associates will have voting power of 58.9% in Homeloans.

- (**changes in the Board**): It is proposed that following Implementation, the composition of the Board will be three RESIMAC-appointed directors, two existing Homeloans Directors, and the addition of an independent non-executive director (to be appointed as agreed between the parties following the Transaction). RESIMAC has the right to appoint the chair of the Board of the Merged Group, and intends to appoint the independent non-executive director as chair. The Board in this configuration is new and may take time to perform effectively as a Board.

- (**loss of control a deterrent to future takeover offers**): Following completion of the Transaction, Ingot will represent ~57.3% of the Share register, or Somers will represent 58.9% if the Somers Acquisition occurs (as at the date of this Notice). The material size of Ingot's voting power (or Somers if the Somers Acquisition occurs) may deter third parties from making a takeover offer for the Company in the future.
- (**dividend policy**): If the Transaction is implemented, there is no surety that the Merged Group will continue to pay a dividend in line with Homeloan's historic dividend payout ratio. The intention of the Merged Group in respect of the dividend policy is set out in section 5.4(d).

5.11 Investment Risks associated with the Transaction

Specific risks associated with the Transaction and the issue of the Scheme Consideration are:

- (**completion risk**): The Transaction is subject to the risk that it may not complete as Completion is subject to the passing of the Resolution 1, and approval of the Scheme by the Court and by RESIMAC Shareholders. If Resolution 1 is not passed or the Scheme is not approved, the Transaction will not proceed;

- (**risk that synergies and efficiencies cannot be achieved**) Existing Shareholders share the risk of the Merged Group not being able to at least deliver the synergies and efficiencies incorporated into the assessment of the Merged Group in the Independent Expert Report. A failure to achieve targeted synergies may have an adverse impact on the operations and financial performance and position of the Merged Group and the value of its shares. However, the future management team of the Merged Group believe this risk is limited and that it is materially mitigated by the collaborative and pro-active steps undertaken by all the stakeholders involved to ensure a smooth integration process upon completion of the Transaction.

5.12 Risks specific to the Merged Group

(a) Downturn of economy in markets in which the Merged Group operates

Any downturn in any of the economies in which the Merged Group operates could result in a material increase in unemployment, decreases in house prices, higher interest rates, general reduction in demand for credit and/or a reduction in a borrower's ability to service debt which could result in increased levels of defaults and bad debts. In turn, this may materially adversely affect the Merged Group's business and financial performance.

(b) Contract risk

RESIMAC and Homeloans are parties to a large number of contracts with third parties. Following the Scheme and upon a change in control, consent to the change of control may not be obtained from the relevant counterparty. There is a risk that existing contracts could be terminated or not renewed on the same or more favourable terms. The Merged Group may also be subject to termination break fees in certain circumstances. The Merged Group may need to renegotiate or change the contracting entity on existing contracts which may be timely, costly and could potentially divert management attention. Any loss or inability to renew/extend contracts on favourable terms could have a materially adverse effect on the Merged Group's business, operating and financial performance.

(c) Disruption in global markets

If there is a major liquidity disruption in global capital markets, the Merged Group could be affected by the fact that it operates in markets that are directly or indirectly exposed to securities, loans and activities that are dependent on the functioning of capital markets.

Disruption in global markets may also result in the slowing or contracting of major global economies for a limited or protracted period of time. The Merged Group's business involves warehouse facilities which are generally short term in nature and such facilities are dependent on funders ability to arrange refinancing of such facilities or term securitisation through the capital markets. The Merged Group may also face limitations in its ability to raise capital, or raise capital at an acceptable price, or may be forced to switch from short term funding to long term funding which may increase the cost of funding. All the aforementioned could materially adversely affect the Merged Group's business and financial performance.

(d) Dependence on distribution partners

The Merged Group will continue to rely on a number of distribution partners including mortgage brokers and aggregators to continue to maintain and grow its business. The ability to retain existing key distribution relationships and attract new distribution partners will be important to the company. If the Merged Group is unable to maintain its existing relationships or attract new distribution partners, its business, operating and financial performance could be materially affected.

(e) Dependence on key personnel

The Merged Group's performance is dependent on the talents and efforts of key personnel. The Merged Group's continued ability to compete effectively depends on the capacity of the Merged Group to retain and motivate existing employees as well as attract new employees. The loss of key personnel or brokers could cause material disruption to the Merged Group's activities and operations in the short to medium term. While equity incentives of key personnel align their interests with the Merged Group's future performance, they do not provide a guarantee of their continued employment with the Merged Group.

(f) Competition

There is substantial competition in the lending and services markets in which the Merged Group operates. The Merged Group must compete with a variety of market participants in the lending market and competitive forces may impact the Merged Group detrimentally. If there are increased number of entrants, reduction in fees or interest margins to remain competitive or in line with competitors in the lending market, or any loss of market share, the Merged Group may find a material and adverse impact on the earnings and assets of the Merged Group.

(g) Regulatory and licence compliance

The Merged Group operates in a heavily regulated industry. Changes in the law or regulation in any of the markets that the Merged Group conducts business could have a material and adverse impact on its business. In Australia, the Merged Group is regulated by ASIC under the Corporations Act, the Australian Securities and Investments Act 2001 (Cth), the National Consumer Credit Protection Act 2009 (Cth) and the National Credit Code. The Merged Group is also subject to other legislation including but not limited to privacy, anti-money laundering and competition related legislation.

If the Merged Group fails to comply with existing, developing interpretations of, and retrospective applications of applicable laws, regulations or codes of conduct including in relation to enforceability of loans and responsible lending, the Merged Group faces potential legal, regulatory sanctions or reputational damage. Any breach could result in sanctions, fines, penalties, payment of compensation or cancellation or suspension of the Merged Group's ability to carry on certain activities or businesses which would materially adversely affect its business, operating and financial performance.

The Merged Group is also licenced to operate a number of services across a number of different jurisdictions, including Australia and New Zealand. For example, in Australia, the Merged Group is required to hold Australian Financial Services Licences and Australian Credit Licences. In New Zealand the Merged Group is required to operate within the regulatory regime framework pursuant to the Financial Advisers Act 2008 and the Financial Service Providers Act 2008. If the Merged Group's Related Bodies Corporate are unable to comply with licence conditions or meet regulatory requirements, this could result in that entity being subject to penalties, additional licencing conditions/restrictions or loss of licence. Any changes to licensing regimes, revocation of licenses, inability to renew licences, inability to receive new licences or imposition of capital requirements could materially adversely impact the Merged Group.

(h) Brands and reputation

The capacity of the Merged Group to attract and retain customers depends to a large extent upon the brands and reputation of its businesses. Any decline in the Merged Group's brand and reputation and the separate brands which each has used historically, including their reputation for responsible lending and sales practices, privacy laws and ethical issues, could contribute to lower new business sales, increased refinancing and redirection of business to other mortgage providers, damage to client strategies and may impact the future profitability and financial position of the Merged Group.

(i) Operational risks

The Merged Group faces operational risk arising from the daily functioning of the Merged Group's businesses. Such risk is highly dependent on the Merged Group's ability to effectively process a large number of transactions and functions daily. The Merged Group will have specific operational exposures including exposures in connection with legal and regulatory compliance, process error, fraud, system failure, failure of security and physical protection systems, improper business practices, human error and pricing risk. Any failure to manage operational risks may materially adversely impact the Merged Group's reputation, business, operations and financial performance.

(j) Interest rate risk

Any increase in interest rates can negatively impact the demand for home loans, increase the repayment burden on customers and increase the risk of loan defaults by customers of the Merged Group. Interest rates are currently at all-time lows in Australia and there is a risk that if interest rates increase in the future then the Merged Group's growth and earnings may be adversely affected.

(k) Acquisitions

The Merged Group's future strategy may involve the acquisition of additional businesses within the Merged Group's core business lines. Acquisition transactions involve inherent risks, including:

(i) accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquired businesses;

(ii) integration risks including the risk that integration could take longer or cost more than expected or that the anticipated benefits and synergies of the integration may be less than estimated;

(iii) diversion of management attention from existing business;

(iv) potential loss of key personnel and key clients;

(v) unanticipated changes in the industry or general economic conditions that affect the assumptions underlying the acquisition; and

(vi) decline in the value of, and unanticipated costs, problems or liabilities associated with, the acquired business.

Any of these or other risks could cause the Merged Group not to realise the benefits anticipated to result from any acquisition of new business and could have a material adverse impact on its financial position.

(l) Dilution

Future capital raisings or equity funded acquisitions by the Merged Group may dilute the holdings of particular shareholders in the Merged Group (relative to other shareholders). The Merged Group may need to raise additional capital in the future in order to meet the operating or financing requirements of the Merged Group after the completion of the Scheme (including by way of additional borrowings or increases in the equity of any of the companies within the Merged Group), not all of which can be anticipated at this point in time. In the event that an increase in the equity of the Merged Group is required, particular shareholders in the Merged Group may be requested to subscribe for additional equity which may be substantial. To the extent that shareholders in the Merged Group do not subscribe to such additional equity, or are otherwise not invited to subscribe, their holdings in the Merged Group may be diluted (relative to other shareholders).

(m) Regulatory and legislative risk and reform

Changes in laws, regulations and government policy may affect the Merged Group and the attractiveness of an investment in the Merged Group positively or negatively. The financial services sectors in which the Merged Group will operate are subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions.

The regulatory regimes governing the business activities of the Merged Group are complex and subject to change. The impact of future regulatory and legislative change upon the business of the Merged Group cannot be predicted. In addition, if the amount and complexity of new regulation increases, so too may the cost of compliance and the risk of non-compliance.

(n) Information technology

Generally, the Merged Group will rely heavily on information technology to provide reliable services, accurate data and reporting as well as pricing. The Merged Group will utilise core technologies which include specialised and proprietary software systems, IT infrastructure and back-end data processing systems. Therefore, any significant or sustained failure in the Merged Group's core business or technology systems could have a materially adverse effect on the Merged Group's operations in the short term, which in turn could undermine longer term confidence in the Merged Group and impact the future profitability and financial position of the Merged Group. The Combined may also be exposed to system failures, computer viruses, cyber-attacks or other events that materially adversely impact its information technology and in turn business, operations and financial performance.

(o) Insurance

The Merged Group will have insurance, including errors and omissions (professional indemnity) and directors' and officers' insurance, which it believes to be commensurate with industry standards, and adequate having regard to the business activities of the Merged Group. However, no assurance can be given that any insurance that the Merged Group maintains will:

(i) be available in the future on a commercially reasonable basis; or

(ii) provide adequate cover against claims made against or by the Merged Group, noting that there are some risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake, flood, fire).

The Merged Group also faces risks associated with the financial strength of its insurers to meet indemnity obligations when called upon which could have an adverse effect on the Merged Group's earnings. If the Merged Group incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected.

(p) Fraud risk

The Merged Group faces risk of fraud by customers and counterparties, including loan brokers, aggregators, servicing customers and individual loan borrowers. There is a risk that individual borrowers, brokers or other parties may act fraudulently by misrepresenting their ability to service loans, overstate value of collateral, modify or falsify documentation, undertake identity theft in order to obtain loans. While the Merged Group has internal control procedures to protect against fraud, there is no guarantee that it is able to do so which may have the result of increasing losses, and damaging the Merged Group's reputation with existing and future customers as well as with funding providers, each of which could have the result of materially adversely affecting the Merged Group's business, operating and financial performance.

(q) Litigation

As with all businesses, the Merged Group will be exposed to potential legal and other claims or disputes in the course of its business, including litigation from employees, regulators or other third parties. As with all litigation, there are risks involved. An adverse outcome in litigation or the cost of responding to potential or actual litigation may have a materially adverse impact on the financial performance of the Merged Group.

5.13 General investment risks

Certain risks are common to both companies. Both Homeloans and RESIMAC are subject to these inherent risks and a summary of some of the more important general risks that may affect the Merged Group is set out below.

(a) General share investment risk

There are various risks associated with investing in any form of business and with investing in listed entities generally. The value of Shares following implementation of the Transaction will depend upon general market and economic conditions as well as the specific performance of the Merged Group. There is no guarantee of profitability, dividends, return of capital, or the price at which Shares will trade on the ASX. The past performance of Shares is not necessarily an indication as to future performance as the trading price of shares can go down or up in value.

(b) General economic and political conditions

Factors, such as, but not limited to, domestic and international political changes, interest rates, exchange rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes, changes in employment levels and labour costs may all have an adverse impact on the Merged Group's revenues, operating costs, profit margins and share price. These factors are beyond the control of the Merged Group and the Merged Group cannot, to any degree of certainty, predict how they will impact on the Merged Group.

(c) General regulatory risk

Changes in laws, regulations and government policy may affect the Merged Group and the attractiveness of an investment in the Merged Group positively or negatively. The financial services sector in which the Merged Group will operate is subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions.

The regulatory regimes governing the business activities of the Merged Group are complex and subject to change. The impact of future regulatory and legislative change upon the business of the Merged Group cannot be predicted. In addition, if the amount and complexity of new regulation increases, so too may the cost of compliance and the risk of non-compliance.

6. Additional Information

6.1 If the Transaction is not approved or does not go ahead

If the Transaction is not approved by Shareholders and the Court, or does not go ahead for any other reason:

- RESIMAC Shareholders will not receive the Scheme Consideration (ownership will be retained by Homeloans Shareholders);
- Homeloans will continue to operate as a standalone entity;
- Homeloans will continue to focus on its current business plan, and payment of any dividends in the future will be considered in accordance with Homeloans' usual dividend policy;
- Shareholders will continue to be exposed to the benefits and risks associated with an investment in Homeloans (see section 5.11, 5.12 and 5.13 for further details of the risks specific to Homeloans); and
- In the absence of an alternative proposal, the Share price may potentially fall to a level around where Shares traded in the time leading up to the announcement of the proposed Transaction (this risk may also be impacted by equity market volatility).
- A break fee of $1 million is payable by RESIMAC to Homeloans and a break fee of $1 million is payable by Homeloans to RESIMAC in certain circumstances. The circumstances under which a break fee is payable by either side are set out in clause 10.2 (RESIMAC break fee payable) and clause 11.2 (Homeloans break fee payable) of the Scheme Implementation Agreement at Annexure B.
- RESIMAC and Homeloans have entered into certain arrangements which restrict the ability of Homeloans to enter into discussions with potential rival bidders (subject to various exceptions) and require Homeloans to provide RESIMAC with notice and provides for certain rights in respect of matching any alternative offers, if they arise. These arrangements will come to an end if the Transaction is not approved or does not go ahead.

6.2 Marketable Securities of Homeloans held by or on behalf of Homeloans Directors

(a) Homeloans Directors' interests in Homeloans marketable securities

The following table shows the Relevant Interests of each Director in marketable securities in Homeloans on 7 September 2016, the last practicable day before the date of this Explanatory Memorandum.

Homeloans Director / CEO	Homeloans Shares	Homeloans Performance Rights
Robert Peter Salmon	10,977,449	-
Scott McWilliam	333,352	927,029
Robert Norman Scott	2,156,116	-
Michael Starkey	-	-
Total	**13,466,917**	**927,029**

Source: Company.

Except as stated in this section 6.2 of the Explanatory Memorandum:

- there are no marketable securities of Homeloans held by or on behalf of Directors as at the date of this Explanatory Memorandum;
- none of the Directors hold, or have any interest in, marketable securities of RESIMAC; and
- there has been no dealing by any Director in any marketable securities of RESIMAC or Homeloans in the four months preceding the date of this Explanatory Memorandum.

(b) Payments or other benefits to certain persons by Homeloans

Except as stated in this section 6.2 of the Explanatory Memorandum, there is no payment or other benefit that is proposed to be made or given:

- to any RESIMAC director or proposed director of Homeloans to induce them to become, or to qualify as, a director of the Merged Group, other than as described in his Explanatory Memorandum; and
- for services provided by any director or person named in connection with the formation or promotion of the Merged Group or the offer of shares in the Merged Group under the Scheme.

6.3 Marketable Securities of Homeloans held by or on behalf of RESIMAC Directors

Except as stated elsewhere in this section 6.3 of the Explanatory Memorandum:

- none of the RESIMAC directors hold, or have any interest in, marketable securities of Homeloans; and
- there has been no dealing by any of the RESIMAC directors in any marketable securities of Homeloans in the four months preceding the date of this Explanatory Memorandum.

6.4 Interests of Homeloans and Homeloans' associates in RESIMAC

Neither Homeloans nor its Associates (other than RESIMAC) have:

- a Relevant Interest in any RESIMAC Shares or any other marketable securities of RESIMAC;
- provided, or agreed to provide, consideration for any RESIMAC Shares in the four months preceding the date of this Explanatory Memorandum; or
- given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to vote in favour of the Scheme or dispose of RESIMAC Shares which benefit is not offered to all RESIMAC Shareholders under the Scheme in the four months preceding the date of this Explanatory Memorandum.

6.5 Interests of RESIMAC and RESIMAC associates in Homeloans

Other than the interests arising under the Call Option Deeds or pursuant to the Scheme Implementation Agreement, neither RESIMAC nor its Associates have:

- a Relevant Interest in any Homeloans Shares or any other marketable securities of Homeloans;
- provided, or agreed to provide, consideration for any Homeloans Shares in the four months preceding the date of this Explanatory Memorandum; or
- given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate, to dispose of Shares which benefit is not offered to all RESIMAC Shareholders under the Scheme in the four months preceding the date of this Explanatory Memorandum.

6.6 Call Option Deeds

On 20 July 2016, RESIMAC entered into the Call Option Deeds with certain Shareholders (**Call Option Shareholders**).

Under the terms of the Call Option Deeds, the Call Option Shareholders have granted RESIMAC call options (**Call Options**) to purchase a specified number of Shares (**Call Option Shares**) they hold in circumstances where an Alternative Homeloans Proposal occurs, is publicly announced or received by Homeloans.

In such circumstances, RESIMAC may acquire the Call Option Shares in exchange for the cash payment of $0.60, or if the third party proposal is greater than $0.60, cash consideration equal to the lower of the third party proposal and $0.69.

If RESIMAC exercises the Call Options and acquires all the Call Option Shares, the Homeloans Shares acquired will, in aggregate, comprise 19.9% of Homeloans' issued share capital.

As at the date of this Explanatory Memorandum, none of the circumstances that would give rise to a right for RESIMAC to exercise the Call Options have arisen. The terms of the Call Option Deeds were disclosed in full to the Homeloans' ASX platform in a notice dated 20 July 2016.

6.7 The Somers Option

On 9 August 2016, Ingot entered into the Somers Deed under which Ingot granted the Somers Option to Somers.

Somers may exercise the Somers Option by giving a Somers Exercise Notice to Ingot at any time prior to the earlier of:

(a) 5pm (Sydney time) on 25 October 2016; and

(b) 9am (Sydney time) on the later of:

(i) the date fixed by the Court for the second Court hearing for approval of the Scheme; and

(ii) such later day as, after 9am on the day referred to in paragraph (i), the Court adjourns that second hearing or fixes for that second hearing.

The exercise of the Somers Option is subject to Somers or its Nominee obtaining approval under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*, including approval which is subject to conditions which are acceptable to Somers, or otherwise being able to do so without contravening that Act, and obtaining all necessary regulatory approvals required in order for Somers or its Nominee to do so without contravening any laws or regulations.

If Ingot receives a Somers Exercise Notice, completion of the purchase of all of the RESIMAC Shares that Ingot holds will occur on the next working day following receipt of the Somers Exercise Notice (or such other time as Ingot and Somers agree in writing).

On completion, Ingot will be required to transfer the RESIMAC Shares that it holds to Somers or its Nominee in consideration for Somers issuing to Ingot a convertible loan note (**Note**) which will convert into shares in Somers upon Somers receiving all relevant regulatory approvals in Australia, Bermuda, the United Kingdom and Ireland in connection with the issue of shares to Ingot. The face value of the Note is based on the average of the mid-market Homeloans share price for the 30 days up to and including 9 September 2016 multiplied by the number of shares that Somers will be issued in Homeloans under the Scheme and converted into USD.[3] Based on the average of the mid-market Homeloans share price and AUD/USD exchange rate for the 28 days up to and including 7 September 2016, the Note would have a face value of approximately US$88.3 million. The number of Somers shares to be issued to Ingot on conversion will be the value of the Note divided by the net tangible asset value of Somers as at 31 July 2016 of US$17.76.

Ingot intends to issue a conversion notice to Somers upon Somers confirming it has received the requisite regulatory approvals from Australia's Foreign Investment Review Board, the Bermuda Monetary Authority, the UK's FCA and the Central Bank of Ireland before 29 September 2017.

The Note will mature on 29 September 2017 and if it has not been converted by that date Somers will be required to repay the loan to Ingot.

[3] Conversion into USD will be at the average USD/AUD exchange rate over the 30 days up to and including 9 September 2016.

The interest rate under the Note will be zero per cent, but in the event Somers pays a dividend to its shareholders prior to the conversion, Ingot has the right to receive the equivalent value of the dividend in shares of Somers.

The allotment of new Somers shares under the Note will occur within 20 business days of Ingot issuing to Somers a conversion notice.

Somers present intention is to exercise the Somers Option and Somers is in the process of obtaining the relevant approvals to do so. However, there is no guarantee that these approvals will be obtained.

If the Somers Option is exercised, Somers will acquire all of the RESIMAC Shares held by Ingot.

As at the date of this Explanatory Memorandum, Somers holds 490,452 RESIMAC Shares equating to 2.21% of the total issued share capital of RESIMAC.

If the Somers Option is not exercised, or if Somers or its Nominee does not complete the acquisition of the RESIMAC Shares from Ingot prior to the Record Date, Ingot will remain the holder of the 17,572,015 RESIMAC Shares. Subsequently, if the Scheme becomes Effective and Ingot continues to hold those RESIMAC Shares as at the Record Date, Ingot will receive the Scheme Consideration.

If the Somers Option is exercised and Somers or its Nominee completes the acquisition of 17,572,015 RESIMAC Shares from Ingot prior to the Record Date, in addition to its current shareholders in RESIMAC, Somers will hold 18,062,467 RESIMAC Shares equating to 81.25% of the total issued share capital of RESIMAC. Subsequently, if the Scheme becomes Effective and Somers or its Nominee holds RESIMAC Shares as at the Record Date, Somers or its Nominee will receive the Scheme Consideration.

Somers has indicated its support for the Scheme and, if it exercises the Somers Option, intends to cause all of the RESIMAC Shares it acquires from Ingot to be voted in favour of the Scheme in the absence of a Superior RESIMAC Proposal.

6.8 Recommendations of the Directors

The Directors of Homeloans wish to make a recommendation to the Homeloans Shareholders about the Resolutions and to give reasons for the recommendation.

Based on the information available, including that contained in this Explanatory Memorandum and the risks outlined in section 5.11, 5.12 and 5.13, the Directors consider the Transaction to be in the best interests of the Company.

In making their recommendation, the Directors have considered:

- the rationale for and the benefits of the Transaction as set out in section 2.3 above; the risks associated with the Transaction as set out in section 5.11, 5.12 and 5.13;
- the advantages and disadvantages of the Transaction as set out in section 5.10; and
- the reasoning and conclusions of the Independent Expert set out in the Independent Expert's Report at Annexure A.

In relation to the Resolutions, the Directors recommend that the Shareholders vote in favour of the Resolutions as set out in the enclosed Notice of Meeting.

The above statements are made subject to each Director having the ability to change their recommendation and voting intention in accordance with clause 8.3 of the Scheme Implementation Agreement in Annexure B, if a Superior Homeloans Proposal is made or where the Independent Expert changes its previously given opinion on the Transaction

6.9 Conclusion of the Independent Expert

Grant Thornton, the Independent Expert, has concluded that the Transaction is not fair but reasonable, and is in the best interests of the Shareholders, in the absence of a Superior Homeloans Proposal.

A copy of the Independent Expert's Report is set out in Annexure A.

6.10 Reasons why the Directors consider the Transaction to be in the best interests of the Company and the Shareholders

The Directors recommend Shareholders vote in favour of the Transaction for the following reasons:

- the Independent Expert has concluded that the Transaction is not fair but reasonable, and in the absence of a Superior Homeloans Proposal, it is in the best interests of the Shareholders to vote in favour of the Transaction;
- a combination of Homeloans and RESIMAC is expected to generate significant revenue and operational synergies;
- the Transaction is expected to enhance financial outcomes for Homeloans Shareholders;
- the combination of Homeloans and RESIMAC is expected to create 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;
- the Merged Group is expected to have greater funding flexibility than Homeloans as a standalone company; and
- If the Transaction does not proceed, the Share price may potentially fall to a level around where Shares traded in the time leading up to the announcement.

7. Further Information relating to the Resolutions

Resolution 1 – Approval of the issue of the Scheme Consideration

7.1 Corporations Act prohibition

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares in a company if:

- the company is a listed company;
- the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person; and
- because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

Generally, under section 608 of the Corporations Act, a person has a relevant interest in securities if they:

- are the holder of the securities; or
- have power to exercise, or control the exercise of, a right to vote attached to securities; or
- have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

The voting power of a person is determined under section 610 of the Corporations Act. It involves calculating the number of voting shares in the company in which the person and the person's Associates have a relevant interest.

A person (**second person**) will be an "Associate" of the other person (**first person**) if:

- the first person is a body corporate and the second person is:
    - a body corporate the first person controls;
    - a body corporate that controls the first person; or
    - a body corporate that is controlled by an entity that controls the first person;
- the second person has entered or proposes to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
- the second person is a person with whom the first person is acting, or proposing to act, in concert in relation to the company's affairs.

7.2 Exceptions to the section 606(1) prohibition

There are various exceptions to the prohibition in section 606(1) of the Corporations Act. Section 611 of the Corporations Act contains a table setting out circumstances in which acquisitions of Relevant Interests are exempt from the prohibition.

Item 7 of this table provides an exemption where the acquisition is approved by a resolution passed at a general meeting of the company before the acquisition is made. The parties involved in the acquisition and their Associates are not able to cast a vote on the resolution.

Resolution 1 approves, for the purposes of item 7 of section 611 of the Corporations Act, the issuance by Homeloans of the Scheme Consideration to the Scheme Shareholders pursuant to the Transaction, and the acquisition by any person of a Relevant Interest in Homeloans Shares as a consequence of:

- Ingot being issued with 225,624,673 Homeloans Shares pursuant to the Transaction; or

- Somers or its Nominee being issued with 231,922,076 Homeloans Shares pursuant to the Transaction.

Whether Ingot or Somers (or its Nominee) will acquire Homeloans Shares pursuant to the Transaction will depend on whether the Somers Option (described in section 6.7 of this Explanatory Memorandum) is exercised and Somers or its Nominee acquires the RESIMAC Shares from Ingot prior to the Record Date for the Scheme. Somers' present intention is to exercise the Somers Option and Somers is in the process of obtaining the relevant approvals to do so. However, there is no guarantee that these approvals will be obtained.

If the Somers Option is not exercised, or if Somers or its Nominee does not complete the acquisition of the RESIMAC Shares from Ingot prior to the Record Date, Ingot will remain the holder of the 17,572,015 RESIMAC Shares. Subsequently, if the Scheme becomes Effective and Ingot continues to hold those RESIMAC Shares as at the Record Date for the Scheme, Ingot will acquire Homeloans Shares as a consequence of being issued with 225,624,673 Homeloans Shares pursuant to the Transaction.

If the Somers Option is exercised and Somers or its Nominee completes the acquisition of 17,572,015 RESIMAC Shares from Ingot prior to the Record Date (**Somers Acquisition**), in addition to the RESIMAC Shares Somers' currently holds, Somers will acquire 17,572,015 RESIMAC Shares as a result of the Somers Acquisition. Subsequently, if the Scheme becomes Effective and Somers or its Nominee holds RESIMAC Shares as at the Record Date, Somers or its Nominee will acquire Homeloans Shares as a consequence of being issued with 231,922,076 Homeloans Shares pursuant to the Transaction.

7.3 Who is Ingot?

Ingot is a company registered in Bermuda which is ultimately owned by Duncan Saville. Ingot is an investment vehicle.

Ingot currently holds 79.04% of the shares in RESIMAC.

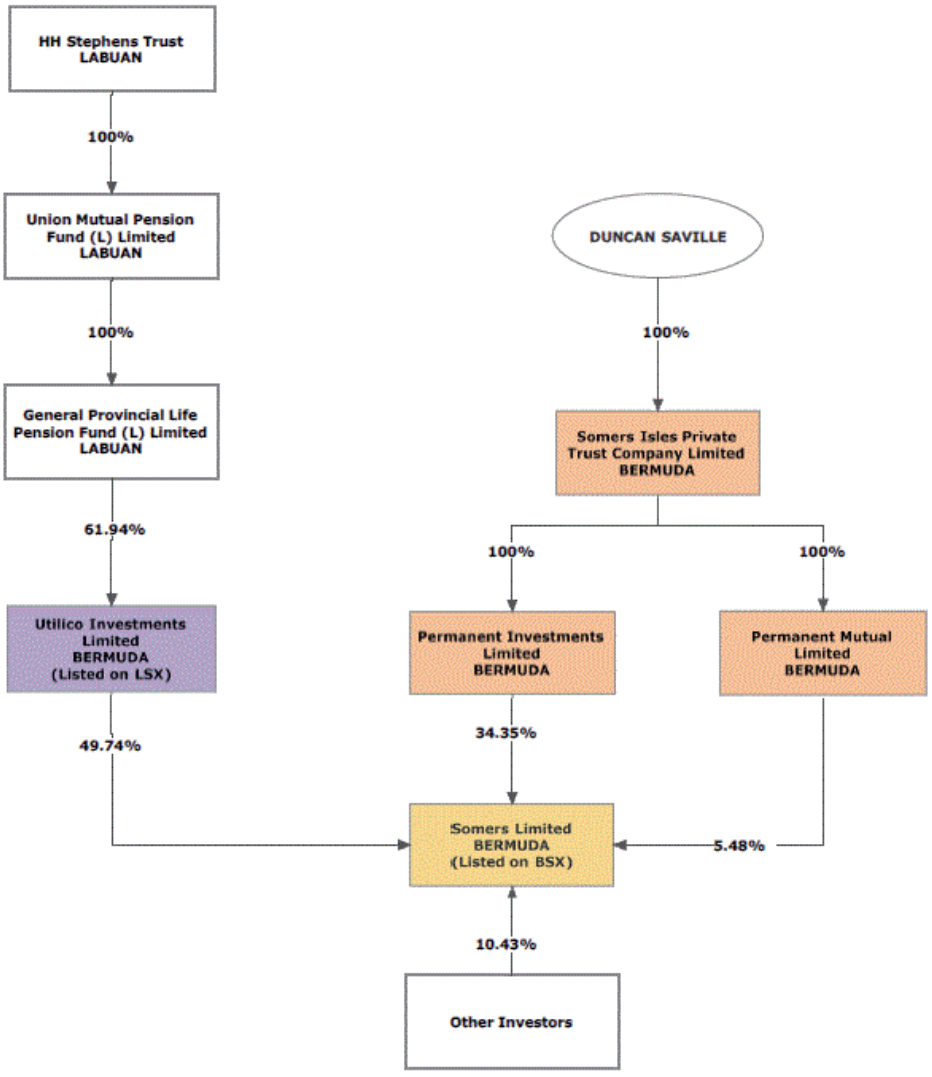
7.4 Who is Somers?

Somers is a Bermuda exempt company whose shares are traded on the Bermuda Stock Exchange (Code: SOM.BH). It is an investment holding company specialising in the financial services sector, and its target investments are primarily in the banking, wealth management and asset financing sectors.

Somers' major assets include its 100% owned subsidiary, Bermuda Commercial Bank Limited, one of Bermuda's four licensed banks and a 62.5% holding in Waverton Investment Management Limited, a UK wealth manager with £4.6 billion assets under management. Somers' other investments include a 57.0% interest in West Hamilton Holdings Limited, a Bermuda property company, a 44% economic interest in Ascot Lloyd Holdings Limited, a UK independent financial adviser, a 23% economic interest in Merrion Capital Holdings Limited, an Irish financial services group, and a 99% stake in Stockdale Securities Limited, a UK corporate and institutional stockbroking group.

The directors of Somers are Warren McLeland (Chairman), David Morgan, Alasdair Younie, Duncan Saville and Charles Jillings.

The major shareholders of Somers as at 6 September 2016 are identified below:



Somers' major shareholders are UIL (formerly Utilico Investments Limited and Utilico Limited), Permanent Investments Limited and Permanent Mutual Limited, who hold 49.7%, 34.3% and 5.5% respectively of the total issued share capital of Somers as at 18 August 2016. The market capitalisation of Somers as at 18 August 2016 was approximately US$164 million.

If Ingot issues a conversion notice under the Note, Ingot will be issued with approximately 5.0 million new common shares in Somers, which will then comprise 29.1% of the total enlarged issued capital of Somers.[4] On issuance of these new common shares on this basis, UIL, Permanent Investments Limited and Permanent Mutual Limited will hold 35.3%, 24.3% and 3.9% respectively of the total issued share capital of Somers. UIL is a Bermuda exempted company incorporated with limited liability. UIL is a closed end investment company, whose ordinary shares are listed on the premium segment of the Official List of the Financial Conduct Authority and are traded on the Main Market of the London Stock Exchange. The business of UIL consists of investing the pooled funds of its shareholders in accordance with its investment objective and policy, generating an acceptable return for shareholders and spreading the investment risk. UIL investments span 15 sectors including technology, financial services, oil and gas and renewables. The largest investments include Utilico Emerging Markets Limited, Somers Limited, Infratil Limited, Zeta Resources Limited, Resolute Mining Limited, Touchcorp Limited and Vix Technology. ICM, of whom Duncan Saville is a director, is the investment manager for UIL.

The board of UIL is comprised of Peter Burrows (Chairman), Alison Hill, Warren McLeland, Christopher Samuel, David Shillson and Eric Stobart.

Permanent Investments Limited and Permanent Mutual Limited are both wholly-owned subsidiaries of Somers Isles Private Trust Company Limited, whose sole shareholder is Duncan Saville.

UIL's major shareholders are General Provincial Life Pension Fund (L) Limited and Permanent Mutual Limited who hold 61.9% and 6.4% respectively of the total issued share capital of UIL. Other significant shareholders of UIL include F & C Savings Plan, Armstrong Investment Managers, Blackrock Investment Managers and Charles Stanley.

General Provincial Life Pension Fund (L) Limited is a wholly-owned subsidiary of Union Mutual Pension Fund (L) Limited which is, in turn, wholly owned by the HH Stephens Trust. The sole beneficiary of the HH Stephens Trust is Mr Kenneth Roamer.

Somers has indicated its support for the Scheme and, if it exercises the Somers Option, intends to cause all of the RESIMAC Shares it acquires from Ingot to be voted in favour of the Scheme in the absence of a Superior RESIMAC Proposal.

7.5 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The following paragraphs set out information required to be provided to Shareholders under item 7 in the table in section 611 of the Corporations Act and ASIC Regulatory Guide 74.

Shareholders are also referred to the Independent Expert's Report set out in Annexure A.

[4] Based on a face value for the Note of US$88.3 million (see section 6.7) and based on the outstanding issued capital of Somers as at 7 September 2016.

Item 7 of section 611 of the Corporations Act

Item 7 requires the following information to be provided to Shareholders in connection with Resolution 1:

(a) The identity of the person proposing to make the acquisition and their Associates

If the Somers Acquisition occurs, pursuant to the Transaction, Somers or its Nominee will acquire Homeloans Shares. Somers' present intention is to exercise the Somers Option and Somers is in the process of obtaining the relevant approvals to do so. However, there is no guarantee that these approvals will be obtained.

If the Somers Acquisition does not occur, pursuant to the Transaction, Ingot will acquire Homeloans Shares.

(b) The maximum extent of the increase in Somers' or Ingot's voting power in Homeloans that would result from the acquisition

If the Somers Acquisition occurs, the voting power of Somers or its Nominee and their Associates in the Homeloans Shares will increase from zero to 58.9% as a result of, and on completion of, the Transaction.

If the Somers Acquisition does not occur, the voting power of Ingot and its Associates in Homeloans Shares will increase from zero to 57.3% as a result of, and on completion of, the Transaction.

(c) The voting power that Ingot or Somers would have as a result of the acquisition

If the Somers Acquisition occurs, Somers or its Nominee and their Associates will have voting power of 58.9% in Homeloans Shares as a result of, and on completion of, the Transaction.

If the Somers Acquisition does not occur, Ingot and its Associates will have voting power of 57.3% in Homeloans Shares as a result of, and on completion of, the Transaction.

(d) The maximum extent of the increase in voting power of each of Somers' Associates or each of Ingot's Associates that would result from the acquisition

If the Somers Acquisition occurs, Somers or its Nominee and their Associates will increase voting power by 58.9% in Homeloans Shares as a result of, and on completion of, the Transaction.

If the Somers Acquisition does not occur, Ingot and its Associates will increase voting power by 57.3% in Homeloans Shares as a result of, and on completion of, the Transaction.

(e) The voting power that each of Somers' Associates or each of Ingot's Associates would have as a result of the acquisition

If the Somers Acquisition occurs, Somers or its Nominee and their Associates will have voting power of 58.9% in Homeloans Shares as a result of, and on completion of, the Transaction.

If the Somers Acquisition does not occur, Ingot and its Associates will have voting power of 57.3% in Homeloans Shares as a result of, and on completion of, the Transaction.

ASIC Regulatory Guide 74

Additionally, ASIC Regulatory Guide 74 requires that Shareholders should also be given the following additional information:

(a) An explanation of the reasons for the proposed acquisition

Refer to sections 2.3 of this Explanatory Memorandum for the reasons and rationale for the Transaction.

(b) When the acquisition is to occur

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.

Full details of the conditions to the Scheme and other agreed terms are set out in the Scheme Implementation Agreement, an executed copy of which is provided at Annexure B.

(c) The material terms of the proposed acquisition

It is expected that upon completion of the Transaction, existing RESIMAC Shareholders will hold 72.5% of the Merged Group and existing Shareholders of Homeloans will hold 27.5% of the Merged Group. The top 15 Shareholders after Implementation of the Transaction are set out at section 5.8, one table if the Somers Acquisition occurs, and the other if the Somers Acquisition does not occur.

Refer to this Explanatory Memorandum for an overview of the terms of the Transaction.

Full details of the conditions precedent to the Transaction and other agreed terms are set out in the SIA, of which an executed copy is provided at Annexure B.

(d) Details of the terms of any other relevant agreement between Ingot or Somers and Homeloans (or any of their Associates) that is conditional on (or directly or indirectly depends on) Shareholders' approval of Resolution 1

There is no relevant agreement between Ingot or Somers or its Nominee (or any of their Associates) that is conditional on (or directly or indirectly depends on) Shareholder approval of the Transaction.

(e) A statement of each of Ingot's intentions and Somers' intentions (as relevant) regarding the future of Homeloans if Shareholders approve the acquisition

The intentions of Ingot and Somers (as relevant), in the event one of them acquires the Homeloans Shares pursuant to the Transaction is set out below.

Each of Ingot and Somers have informed RESIMAC that its intentions mentioned in this section are based on the facts and information regarding the Company, its business and the general business environment which are known to each of Ingot and Somers as at the date of the Explanatory Memorandum, which is limited to publicly available information. Any future decisions regarding these matters will only be made based on all material information and circumstances at the relevant time. Accordingly, the statements set out below are statements of current intention only which, if circumstances change or new information becomes available in the future, could change accordingly.

Other than as disclosed above or elsewhere in this Explanatory Memorandum, including the intentions of the Merged Group, each of Ingot and Somers:

- has no current intention of making any significant changes to the existing business of the Company;
- has no current intention to inject further capital into the Company;
- has no current intention of making changes regarding the future employment of the Company's present employees;
- does not currently intend for any property to be transferred between the Company and itself or any person associated with it; and
- has no current intention to otherwise redeploy the fixed assets of the Company.

(f) Any intention of Somers or Ingot to significantly change the financial or dividend policies of Homeloans

If the Somers Acquisition occurs, and subject to the qualifications regarding the intentions of Somers set out above, Somers has no current intention to significantly change the Company's existing financial or dividend policies, other than as described in the intentions of the Merged Group, including in section 5.4(d).

If the Somers Acquisition does not occur, and subject to the qualifications regarding the intentions of Ingot set out above, Ingot has no current intention to significantly change the Company's existing financial or dividend policies, other than as described in the intentions of the Merged Group, including in section 5.4(d)..

(g) The interests that any director has in the acquisition or any relevant agreement

The current Directors of the Company are Mr. Robert Scott, Mr. Robert Salmon and Mr. Michael Starkey.

None of the Directors have a material personal interest in Resolution 1 other than their interests arising solely in their capacity as Shareholders.

(h) Details about any person who is intended to become a director if Shareholders approve the acquisition

No change to the composition of the Board of the Company, other than as described in this Explanatory Memorandum, is currently proposed by Ingot, Somers or the Company.

As set out in section 2.1 of the Explanatory Memorandum, upon Implementation of the Transaction, it is proposed that the board of the Merged Group will be composed of six members as follows:

- Mr. Warren McLeland, Managing Director;
- Mr. Robert Scott, Non-Executive Director;
- Mr. Robert Salmon, Non-Executive Director;
- Ms. Susan Hansen, Non-Executive Director;
- Mr. Michael Jefferies, Non-Executive Director; and
- an independent, non-executive director to be appointed as the chairperson.

Mr Warren McLeland who is to be appointed Managing Director of the Merged Group, is also the Chairman of Somers and a director of UIL Limited, the largest shareholder of Somers.

Homeloans and RESIMAC have agreed an independent non-executive director will be appointed, as agreed between the parties. RESIMAC has the right to appoint the chair of the Board of the Merged Group. RESIMAC's intention is to appoint the independent non-executive director as chair of the Board of the Merged Group.

RESIMAC and Homeloans have commenced their search for an independent chair for the Merged Group. To the extent that a suitable candidate has not yet been finalised on Implementation of the Scheme, it is intended that Susan Hansen will fulfil the role as acting chair of the board of the Merged Group until a suitable candidate has been finalised.

The profiles of the 3 proposed board members of the Merged Group are set out below:

Name	Background
Warren McLeland	Previously a senior managing director with Chase Manhattan Bank (now JPMorgan Chase), Warren has over 30 years' experience, world-wide in financial services. Warren's roles have embraced investment management, stockbroking, treasury and capital markets and risk management. Warren is a director of a number of public and private companies including Somers Limited (chairman), UIL, Wilson HTM Investment Group, Utilico Limited, Ellect Holdings and previously The Trust Company Limited. Warren joined the Board of RESIMAC in 1999 and was appointed Chief Executive Officer in mid-2000 and assumed the role of Executive Chairman and Chief Executive Officer in 2014.
Susan Hansen	Susan is a Chartered Accountant with over 30 years' experience in practice with the top accountancy firms and investment banking (financial analysis and risk assessment). Susan has established a global financial training company in New Zealand of which she is Chief Executive Officer. Susan also serves on the boards of Utilico Emerging Markets Limited, listed in London, a funds management company in New Zealand and a global education company. In addition, Susan was a Strategy Consultant to the Auckland Regional Services Trust and the Project Manager on the feasibility study of the America's Cup Infrastructure. Following this she was Chief Executive of Viaduct Harbour Holdings Limited. Susan is a member of the Institute of Chartered Accountants in Australia and has an MBA from the University of Cape Town Graduate School of Business. Susan joined the Board in 2011 and is the Chair of the Audit Committee and the Risk Committee.

Michael Jefferies	Michael is a Chartered Accountant and holds a Bachelor of Commerce degree. Michael has extensive experience in finance and investment, including 20 years as an executive at Guinness Peat Group Plc. Michael is a non-executive director of Ozgrowth Limited and Afterpay Limited and is Chairman of Touchcorp Limited. Michael was formerly a director of a number of financial services companies including Australian Wealth Management Limited, Tower Australia Limited and Clearview Wealth Limited. Michael joined the board of RESIMAC in 2014 and is a member of the Audit Committee and the Risk & Compliance Committee.

7.6 Directors recommendation

The Directors unanimously recommend that non-associated Shareholders vote in favour of Resolution 1 for the reasons set out in section 3.25 of this Explanatory Memorandum, provided that each Homeloans Director has the ability to change their recommendation and voting intention if a Superior Homeloans Proposal is made or where the Independent Expert changes its previously given opinion on the Transaction, as set out in accordance with section 8.3 of the Scheme Implementation Agreement in Annexure B.

7.7 Independent Expert's Report

Accompanying this Explanatory Memorandum is an Independent Expert's Report prepared by Grant Thornton. The Independent Expert was commissioned by the Directors to provide an opinion as to whether or not the Transaction is fair and reasonable to Shareholders.

The Independent Expert has concluded that the Transaction which includes the issue of the Scheme Consideration to RESIMAC Shareholders, which is the subject of Resolution 1, is not fair but reasonable to Shareholders, and is in the best interests of the Shareholders, in the absence of a Superior Homeloans Proposal.

Please refer to the Independent Expert's Report set out in Annexure A for further details and in particular the advantages and disadvantages of the Transaction. This assessment is designed to assist all Homeloans Shareholders in reaching their voting decisions. It is recommended that all Shareholders read the Independent Expert's Report in full.

7.8 ASX relief

A listed company has an obligation to notify ASX of a proposed significant change to the nature or scale of its activities under Listing Rule 11.

ASX can exercise its discretion to require the listed company to obtain the approval of its security holders in relation to the change in the nature or scale of its activities (Listing Rule 11.1.2), or to re-comply with ASX's admission requirements (Listing Rule 11.1.3).

ASX has confirmed to Homeloans that:

(a) Listing Rules 11.1.2 and 11.1.3 do not apply to the proposed Transaction;

(b) the Transaction is not a change in Homeloans' main undertaking and does not require approval from Homeloans' shareholders for the purposes of Listing Rule 11.2; and

(c) ASX will not suspend quotation of Homeloans' securities for the purposes of Listing Rule 11.3.

8. Additional information

The Explanatory Statement contains all information that is known by the Company or any of its Directors which is reasonably required by Shareholders to decide whether it is in the Company's interests to pass the Resolutions dealing with financial benefits to related parties.

The Notice of Meeting and Explanatory Statement provided to Shareholders are the same in all material respects as the Notice of Meeting and Explanatory Statement lodged by Homeloans with ASIC in accordance with the requirements of section 218 of the Corporations Act not less than 14 days before the notice convening the Shareholder Meeting was given by Homeloans. No other document is now provided to Shareholders. If the Resolutions are passed, Homeloans must lodge with ASIC within 14 days, a notice setting out the text of the Resolutions.

If a poll is demanded in relation to a Resolution which is then duly passed, the Company must, for each member voting in person, record the name and the number of votes cast for and against the Resolution, and for each proxy, record the name and the number, by member represented, of votes cast as proxy for and against the relevant Resolution.

Section D – Glossary

1. Definitions

The following definitions are used in the Notice of Meeting and the Explanatory Memorandum:

AEDT means Australian Eastern Daylight Saving Time.

Alternative Homeloans Proposal means a proposed transaction or arrangement (whether by way of takeover, share acquisition, scheme of arrangement, capital reconstruction, acquisition of assets or otherwise) under which a person other than RESIMAC, the Scheme Shareholders or any of their Related Bodies Corporate could, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms:

(a) acquire Control of, or otherwise merge or amalgamate with, the Homeloans Group;

(b) acquire, whether alone or together with its Associates, a Relevant Interest in any shares of Homeloans, as a result of which the third party, together with any Associates, will have:

(i) if those persons did not have Relevant Interests in 15% or more of the shares in Homeloans in aggregate immediately prior to the Alternative Homeloans Proposal, Relevant Interests in 15% or more of the shares in Homeloans in aggregate; or

(ii) if those persons already had Relevant Interests in 15% or more of the shares in Homeloans in aggregate immediately prior to the Alternative Homeloans Proposal, Relevant Interests in not less than 3% or more of the shares in Homeloans in aggregate than they had immediately prior to the Alternative Homeloans Proposal; or

(iii) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in all or a substantial part of the business, assets or undertaking of the Homeloans Group.

Associate has the meaning given to that term in the Corporations Act.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691.

Board means the board of directors of Homeloans.

Board Composition Resolutions means a resolution for the purposes of Article 13.3 of the Homeloans Constitution to appoint the persons to the Homeloans Board referred to in clause 4.10(a)(iii) and 4.10(b) of the Scheme Implementation Agreement. Refer to Resolutions 2, 3 and 4 set out in Section B of this document.

Business Day means a day which is not a Saturday, Sunday or public holiday in Sydney, New South Wales.

B2B means business-to-business.

B2C means business-to-consumer.

Call Options means the call option deed entered into by RESIMAC in relation to Homeloans shares on or about the 20 July 2016.

Call Option Shareholders means each of the following Shareholders that have entered into Call Option Deeds:

(a) Peterlyn Pty Limited as trustee for RPC Salmon Super Fund Account with respect to 4,588,938 Homeloans Shares.

(b) Peterlyn Pty Limited as trustee for Salmon Family Account with respect to 5,930,920 Homeloans Shares.

(c) Tico Pty Limited as trustee for Holmes Family Fund Account with respect to 6,958,963 Homeloans Shares.

(d) Tico Pty Limited as trustee for Holmes Super Fund Account with respect to 3,560,895 Homeloans Shares.

Company or **Homeloans** means Homeloans Limited ACN 095 034 003.

Conditions Precedent means conditions precedent to the Scheme set out in clause 3 of the SIA.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act or **Act** means the *Corporations Act 2001 (Cth)*.

Court means the Federal Court, New South Wales Registry, or such other court of competent jurisdiction as RESIMAC and Homeloans agree in writing.

Director means a director of Homeloans.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Escrow Deed means the document annexed as Annexure C to the SIA.

Escrow Shares has the meaning given to that term in the SIA at Annexure B.

Explanatory Memorandum means the explanatory memorandum set out in Section C of this document.

Extraordinary General Meeting means the extraordinary general meeting of the Company to be held on 11 October 2016 pursuant to the Notice of Meeting.

FY means financial year ending 30 June.

Homeloans means Homeloans Limited ACN 095 034 003.

Homeloans Constitution means the constitution of Homeloans.

Homeloans Group means Homeloans and each of its Subsidiaries.

Homeloans NOM Information means all information included in the Homeloans Notice of Meeting, other than the RESIMAC NOM Information and the Independent Expert's Report.

Homeloans Share Register means the register of members of Homeloans maintained by or on behalf of Homeloans in accordance with section 168(1) of the Corporations Act.

Homeloans Shareholder means a person who is registered in the Homeloans Share Register as a holder of Homeloans Shares.

ICM means ICM Limited, a company registered in Bermuda with registration number 17720.

Implementation means the transfer of the Scheme Shares to Homeloans pursuant to the Scheme. A reference to Implement or Implemented has a corresponding meaning.

Implementation Date means the date which is 3 Business Days after the Record Date or such other date as RESIMAC and Homeloans agree in writing.

Independent Expert means Grant Thornton.

Independent Expert's Report means the report prepared by the Independent Expert for inclusion in this Notice of Meeting at Annexure A.

Ingot means Ingot Capital Management Pty Ltd, a company registered in Bermuda with registration number 47463.

Ingot Information means the information regarding Ingot which is contained in section 7.3 of this Explanatory Memorandum and in statements in section 7.5 to the extent it relates to Ingot.

In The Best Interests has the meaning given in the Scheme Implementation Agreement.

Listing Rules means the Listing Rules of the ASX as amended from time to time.

LMI means lenders mortgage insurance.

LTI Plan means Homeloans Long Term Incentive Plan as set out in section 3.12 of this document.

Merged Group means Homeloans following the successful Implementation of the Scheme.

Merged Group Board means the board of directors of Homeloans after the Transaction.

NIM means net interest margin.

Nominee means any wholly-owned subsidiary of Somers.

Non-Conforming means the RESIMAC business described in section 4.2(c)(ii).

Note means the convertible loan note as defined in section 6.7.

Notice of Meeting or **Notice** means the notice of Extraordinary General Meeting set out in Section B of this document.

Performance Rights means options or share rights granted under the Homeloans Long Term Incentive Plan (LTI Plan).

Preparation Date means 8 September 2016, being the date upon which this Explanatory Memorandum has been prepared.

Prime means the RESIMAC business described in section 4.2(c)(i) of this document.

Proxy Form means the proxy form for the Extraordinary General Meeting accompanying this Explanatory Memorandum.

Record Date means 5:00 pm (Sydney time) on 20 October 2016, or such other time and date agreed in writing between Homeloans and RESIMAC.

Related Entity has the meaning given to that term in the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

RESIMAC means RESIMAC Limited ACN 002 997 935.

RESIMAC Constitution means the constitution of RESIMAC.

RESIMAC Group means RESIMAC and each of its Subsidiaries.

RESIMAC NOM Information means information in sections 2.1 under the heading "Board and management" only and excluding the statement about the retirement of a Director, 2.3 (with the exception of the first 5 bullet points setting out Homeloans' Board beliefs), 4, 5 (with the exception of sections 5.8 and 5.10 and to the extent information in this section 5 relates to, or was provided by Homeloans), 6.3, 6.5 and 6.6.

RESIMAC Shareholders means the holder of RESIMAC Shares from time to time.

RESIMAC Share means one fully paid ordinary shares in the capital of RESIMAC.

Resolutions means the resolutions set out in the Notice of Meeting to be considered by Homeloans Shareholders at the Extraordinary General Meeting, being resolutions to be passed by the requisite majority of members of the Company on a show of hands or by the requisite majority of votes given on a poll.

RMBS means residential mortgage-backed securities.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act between RESIMAC and RESIMAC Shareholders as set out in the SIA at Annexure B of this Explanatory Memorandum subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by Homeloans and RESIMAC.

Scheme Consideration means 12.84 New Homeloans Shares for each RESIMAC Share held by a Scheme Shareholder at the Record Date.

Scheme Implementation Agreement / SIA means the scheme implementation agreement dated 20 July 2016 between RESIMAC and Homeloans under which, amongst other things, RESIMAC has agreed to propose the Scheme to Scheme Shareholders (as defined in the Scheme Implementation Agreement), and each of Homeloans and RESIMAC has agreed to certain steps to give effect to the Scheme and as attached as Annexure B.

Scheme Shareholder means a person who holds RESIMAC shares as at the Record Date (as defined in the SIA).

Scheme Share means a RESIMAC Share on issue on the Record Date.

Share means a fully paid ordinary share in the capital of Homeloans.

Shareholder means a person who is registered in the Homeloans Share Register as a holder of Homeloans shares.

Somers Acquisition means where the Somers Option is exercised and Somers or its Nominee completes the acquisition of 17,572,015 RESIMAC Shares from Ingot prior to the Record Date.

Somers means Somers Limited, a Bermuda exempt company with registration number 46441, whose shares are traded on the Bermuda Stock Exchange.

Somers Deed means the call option deed dated 9 August 2016 between Ingot and Somers in relation to the Somers Option.

Somers Exercise Notice means a notice of exercise of the Somers Option given by Somers to Ingot.

Somers Information means the information regarding Somers which is contained in sections 6.7 and 7.4 of this Explanatory Memorandum and in statements in section 7.5 to the extent they relate to Somers.

Somers Option means the call option granted by Ingot in favour of Somers or its Nominee (being a wholly owned subsidiary of Somers) to purchase all of the 17,572,015 RESIMAC Shares that Ingot holds.

Subsidiary means a subsidiary within the meaning given to that term in the Corporations Act.

Superior Homeloans Proposal means a bona fide Alternative Homeloans Proposal involving the acquisition of existing Homeloans Shares by way of a takeover bid made under Chapter 6 of the Corporations Act or a scheme of arrangement between Homeloans and Homeloans Shareholders which in the reasonable determination of the Board, acting in good faith, and after consulting with its external legal and financial advisers, would, if it is completed substantially in accordance with its terms, be more favourable to Homeloans Shareholders (as a whole) than the Scheme, having regard to all other terms of the Alternative Homeloans Proposal, including without limitation, conditionality and certainty of funding, and provided that an Alternative Homeloans Proposal cannot be a Superior Homeloans Proposal if it is subject to a due diligence or financing condition.

Superior RESIMAC Proposal means a bona fide Alternative RESIMAC Proposal involving the acquisition of existing RESIMAC Shares which in the reasonable determination of the RESIMAC Board, acting in good faith, and after consulting with its external legal and financial advisers, would, if it is completed substantially in accordance with its terms, be more favourable to RESIMAC Shareholders (as a whole) than the Scheme, having regard to all other terms of the Alternative RESIMAC Proposal, including without limitation, conditionality and certainty of funding, and provided that an Alternative RESIMAC Proposal cannot be a Superior RESIMAC Proposal if it is subject to a due diligence or financing condition.

Transaction means the proposed merger where Homeloans will acquire all of the shares in RESIMAC pursuant to a scheme of arrangement between RESIMAC and its shareholders, and shareholders of RESIMAC will be issued new shares in Homeloans as consideration.

UIL means UIL Limited, incorporated in Bermuda with registration number 39480.

2. Interpretation

For the purposes of interpreting the Explanatory Memorandum and the Notice of Meeting:

(a) the singular includes the plural and vice versa;

(b) words importing any gender include the other genders;

(c) reference to any statute, ordinance, regulation, rule or other law includes all regulations and other instruments and all considerations, amendments, re-enactments or replacements for the time being in force;

(d) all headings, bold typing and italics (if any) have been inserted for convenience of reference only and do not define, limit or affect the meaning or interpretation of the Chairman's Letter, the Explanatory Memorandum and the Notice of Meeting;

(e) reference to persons includes bodies corporate and government authorities and in each and every case, includes a reference to the person's executors, administrators, successors and substitutes (including without limitation persons taking by novation and assignment); and

(f) reference to $, A$, Australian Dollars or dollars is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia.

3. Date of this document

This Explanatory Memorandum has been prepared as at 8 September 2016 (the **Preparation Date**) based upon the information available and the facts and circumstances known as at the Preparation Date by Homeloans, or by RESIMAC, in relation to the RESIMAC NOM Information.

Subject to the continuing obligations of Homeloans under the Listing Rules, the Corporations Act and other laws, no person undertakes to review the financial condition or affairs of Homeloans or the Merged Group or at any time or to keep a recipient of this document or any Shareholder informed of changes in, or matters arising or coming to their attention which may affect, anything referred to in this document.

Subject to the continuing obligations of Homeloans under the Listing Rules, the Corporations Act and other laws, neither Homeloans nor any other person accepts any responsibility to Shareholders to update this document after the Preparation Date with regard to information or circumstances which come to its attention after the Preparation Date.

4. Responsibility for information

The RESIMAC NOM Information in this Explanatory Memorandum has been provided by RESIMAC and its advisers.

RESIMAC has prepared, and is responsible for, the RESIMAC NOM Information and Homeloans and its directors and officers do not assume any responsibility for the accuracy or completeness of the RESIMAC NOM Information.

The Ingot Information and the Somers Information has been provided to Homeloans for inclusion in this Explanatory Memorandum, by RESIMAC. RESIMAC has advised that Somers and Ingot have each prepared, and are responsible for, the Somers Information and the Ingot Information, respectively, and neither of Homeloans or RESIMAC, or their respective directors and officers assume any responsibility for the accuracy or completeness of the Somers Information and the Ingot Information, respectively.

Homeloans has prepared, and is responsible for, the information in the Notice of Meeting other than RESIMAC NOM Information, the Ingot Information, the Somers Information and the Independent Expert's report (**Homeloans NOM Information**), and RESIMAC, Somers and Ingot, and each of their respective directors and officers, do not assume any responsibility for the accuracy or completeness of the Homeloans NOM Information.

The Independent Expert has prepared and is responsible for the Independent Expert's Report and RESIMAC and its respective directors and officers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report; and Homeloans and its respective directors and officers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

5. Forward looking statements

This Explanatory Memorandum includes certain forward looking statements which have been based on the information obtained by Homeloans during its due diligence and the current expectations about the future of Homeloans. The information on the Merged Group includes forward looking statements. Any forward looking statements in relation to the operations and financial performance of Homeloans, RESIMAC or the Merged Group are not guarantees of performance. You should be aware that known and unknown risks, uncertainties and other factors could cause actual events or results to differ materially from the expectations expressed or implied by such statements. These factors include those risks identified in section 5.11, 5.12 and 5.13 of the Explanatory Memorandum and other matters not yet known to, or considered material by, Homeloans. These statements speak only as at the date of this document.

None of Homeloans, its officers or any other person gives any representation, assurance or guarantee that the results, performance or achievements expressed in or implied by the forward looking statements in this Explanatory Memorandum will actually occur. Homeloans Shareholders are cautioned not to give undue relevance to the forward looking statements.

6. Independent investment decisions

This Explanatory Memorandum does not take into account the investment objectives, financial position and particular needs of any particular person. Before making any decision on the basis of this document you should consider, after consulting with an investment adviser, whether that decision is appropriate in light of the information contained in this document.

Homeloans Limited

Independent Expert's Report and Financial Services Guide

8 September 2016

Grant Thornton
An instinct for growth™

The Independent Directors
Homeloans Limited
Level 5
50 St Georges Terrace
Perth WA 6000

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T + 61 2 8297 2400
F + 61 2 9299 4445
E info@gtnsw.com.au
W www.grantthornton.com.au

8 September 2016

Dear Independent Directors

Independent Expert's Report and Financial Services Guide

Introduction

Homeloans Limited ("HOM" or the "Company") is an Australian Securities Exchange ("ASX") listed non-bank residential mortgages provider. The Company is mainly engaged in the origination and management of mortgages, and operates through both its own branded mortgage brokers and third party broker networks. HOM had a market capitalisation of A$46.5 million and a total loan book value ("LBV") of approximately A$8.1 billion as at 30 June 2016.

RESIMAC Limited ("RESIMAC") is a privately owned company mainly engaged in lending to borrowers in the Prime residential and specialist lending (Non-Conforming) markets, with over 30 years of operations in the Australian market. Having grown through both loan originations and selective portfolio acquisitions, RESIMAC currently has a loan book value of approximately A$5 billion as at 30 June 2016 which is funded through RESIMAC's secured funding programme that includes warehouse lines[1] for book build and capital markets for term funding.

On 20 July 2016, HOM and RESIMAC entered into a Scheme Implementation Agreement ("SIA") to implement the amalgamation of HOM and RESIMAC ("Merged Group"). Under the SIA, HOM will acquire all the outstanding shares in RESIMAC pursuant to a scheme of arrangement between RESIMAC and the shareholders of RESIMAC ("RESIMAC Shareholders") ("the Proposed RESIMAC Scheme").

The consideration to be paid by HOM for the acquisition of RESIMAC consists of 285,439,479 new ordinary shares in HOM ("HOM Shares") (the "Consideration") which is equivalent to a share exchange ratio of 12.84 new HOM shares for each RESIMAC share. The issue of the Consideration to the RESIMAC Shareholders (subject to approval of the Proposed RESIMAC Scheme by the RESIMAC Shareholders) is referred to as the "Proposed Transaction".

If the Proposed Transaction is completed, the RESIMAC Shareholders will collectively hold approximately 72.5% of the enlarged fully diluted share capital of the Merged Group, and the existing shareholders of HOM ("HOM Shareholders") with hold 27.5%. We also note that Ingot Capital Management Limited ("Ingot"), RESIMAC's largest shareholder holding circa 79% of RESIMAC, will hold a controlling interest of 57.31% in the Merged Group. In this regard we also understand that on 9 August 2016, Ingot entered into a call option deed with a related party, Somers Limited ("Somers Option") to grant the right to purchase all of the 17,572,015 shares in RESIMAC

[1] Warehouse facilities currently mainly provided by three of the big four major banks in Australia.

held by Ingot. If the Somers Option is exercised[2], Somers will increase its interest in RESIMAC from approximately 2.2% to 81.2%. If the Somers Option is exercised, on completion of the Proposed Transaction, Somers will be issued 231,922,076 shares in HOM for its 81.2% interest in RESIMAC and in turn, its interest in HOM will increase from nil to approximately 58.9% (see section 1.5 for details). Somers' present intention is to exercise the Somers Option and Somers is in the process of obtaining the relevant approvals to do so. However, there is no guarantee that these approvals will be obtained.

The Board of the Merged Group ("Merged Group Board") will be restructured to comprise two Directors appointed by HOM and three Directors appointed by RESIMAC[3]. It is also proposed that an independent non-executive Chairperson will be appointed soon after completion.

Mr Warren McLeland, the current Executive Chairman and Chief Executive Officer ("CEO") of RESIMAC, will be appointed as Managing Director of the Merged Group. Mr Scott McWilliam, the current CEO of HOM, and Ms. Mary Ploughman, current Executive Director of RESIMAC, will be appointed joint deputy Managing Directors. Mr Warren McLeland is also the Executive Chairman of Somers and a director of UIL Limited, the largest shareholder of Somers.

In addition to the Proposed Transaction, it was also announced on 20 July 2016 that RESIMAC had entered into a Call Option Deed with two substantial HOM Shareholders: Tico Pty Limited ("Tico") and Peterlyn Pty Limited ("Peterlyn"). Under the Call Option Deed and subject to certain conditions, RESIMAC will be granted the right but not the obligation to acquire HOM Shares from Tico and Peterlyn representing 19.9% interest in HOM (refer to section 1.2 for details).

Subject to no superior proposal emerging and an independent expert determining that the Proposed Transaction is in the best interest of HOM Shareholders, the Board of HOM has unanimously recommended that HOM Shareholders vote in favour of all the resolutions to effect the Proposed Transaction and each Director intends to vote all HOM Shares held or controlled by them in favour of the Proposed Transaction.

Purpose of the report

The HOM Directors have engaged Grant Thornton Corporate Finance to prepare an Independent Expert's report to express an opinion on whether the Proposed Transaction is fair and reasonable to HOM Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

For the avoidance of doubt, Grant Thornton Corporate Finance has not been engaged to form an opinion and it has not formed an opinion in relation to the Proposed RESIMAC Scheme and the Call Option Deed.

[2] The Somers Option must be exercised prior to the earlier of 25th of October and the second Court hearing in relation to the Proposed RESIMAC Scheme

[3] RESIMAC will appoint the Chairman among one of the Directors.

Grant Thornton
An instinct for growth™

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is NOT FAIR BUT REASONABLE to the HOM Shareholders. In the absence of a superior alternative proposal emerging, we are of the opinion that the advantages of the Proposed Transaction outweigh the disadvantages and accordingly, we believe that it is in the best interest of the HOM Shareholders to vote in favour of the Proposed Transaction.

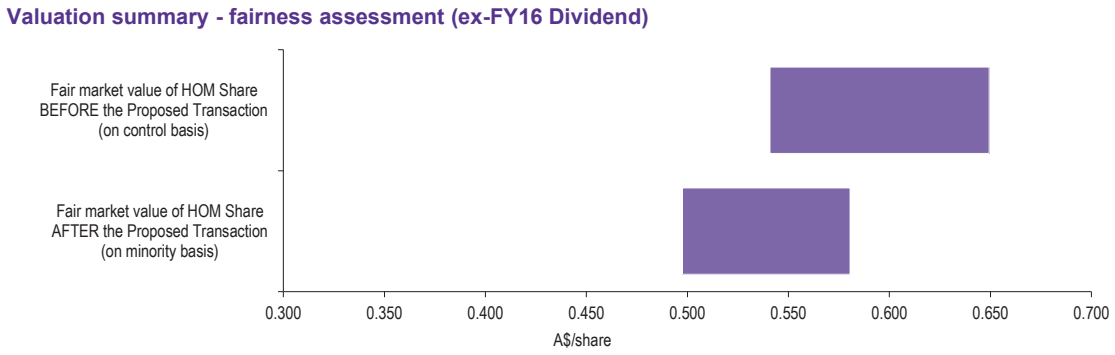
In forming our opinion, Grant Thornton Corporate Finance has considered whether the Proposed Transaction is fair and reasonable to the HOM Shareholders and other quantitative and qualitative considerations.

Fairness assessment

In accordance with the requirements of the Australian Securities and Investment Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111"), in forming our opinion in relation to the fairness of the Proposed Transaction to the HOM Shareholders, Grant Thornton Corporate Finance has compared the value per HOM Share before the Proposed Transaction (on a control basis) to the assessed value per HOM Share after the Proposed Transaction (on a minority basis).

The following table and graph summarise our fairness assessment:

Valuation summary (ex-FY16 Dividend basis) HOM (A$'000s)	*Section Reference*	Low	High
Fair market value of HOM Share before the Proposed Transaction (on control basis)	*Section 8*	0.541	0.649
Fair market value of HOM Share after the Proposed Transaction (on minority basis)	*Section 9*	0.498	0.581
Increase/(decrease) in value per HOM Share (A$)		**(0.043)**	**(0.069)**
Increase/(decrease) in value per HOM Share (%)		*-8.0%*	*-10.6%*



Source: GTCF Calculations

Our assessment of the fair market value of HOM on a control basis before the Proposed Transaction is higher than our assessment of HOM on a minority basis after the Proposed Transaction.

Accordingly, we have concluded that the Proposed Transaction is **NOT FAIR** to the HOM Shareholders.

HOM Shareholders should be aware that our assessment of the value per HOM Share post the Proposed Transaction does not reflect the price at which HOM Shares will trade if the Proposed

Transaction is completed. The price at which HOM Shares will ultimately trade depends on a range of factors including the liquidity of HOM Shares, macro-economic conditions, the underlying performance of the HOM business and the supply and demand for HOM Shares.

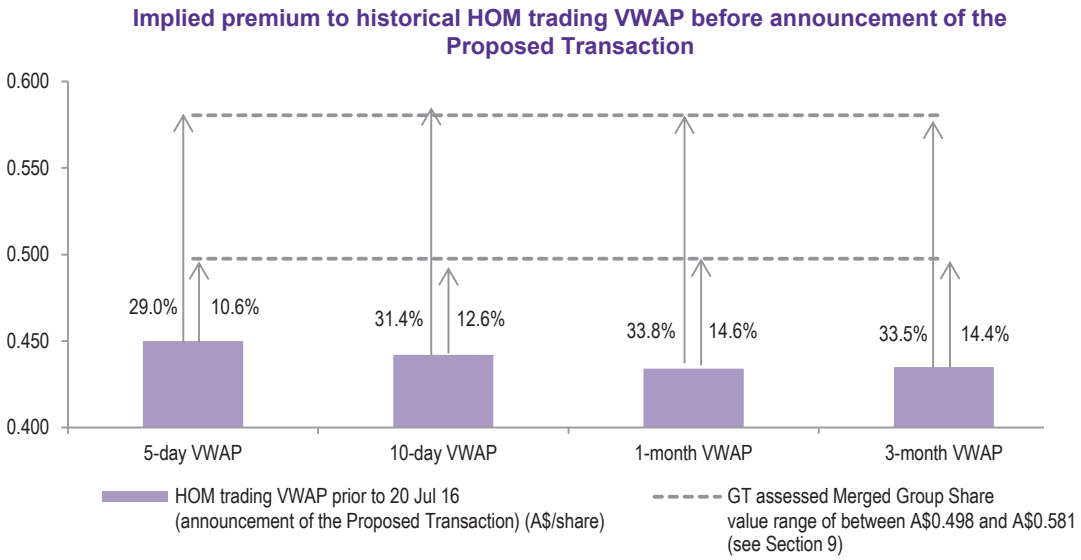
Reasonableness assessment

RG111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any superior proposal. In assessing the reasonableness of the Proposed Transaction, we have considered the following advantages, disadvantages and other factors.

Advantages

Implied premium over the trading price of HOM

Grant Thornton Corporate Finance's valuation assessment of the Merged Group[4] after the Proposed Transaction (i.e. Merged Group Share) represents a premium in the range of 10.6% to 33.8% to HOM's historical volume weighted average price ("VWAP") leading up to the announcement of the Proposed Transaction on 20 July 2016 as illustrated in the graph below.



Source: GTCF Calculations

The analysis above should be considered with caution due to the following:

- The liquidity of HOM shares is limited and accordingly trading prices may not fully reflect the underlying fair market value HOM.

- Our assessment of the value per HOM Share post the Proposed Transaction does not reflect the price at which HOM Shares will trade if the Proposed Transaction is completed.

However, we note that HOM trading prices post announcement of the Proposed Transaction have been consistent with our valuation assessment of the Merged Group which provides more objective support to the analysis above.

[4] We note that the valuation of the Merged Group is on a minority basis.

Stronger and more integrated business than HOM on a standalone basis

The Proposed Transaction will create an enlarged entity which should be better positioned to compete in the marketplace, grow its market share and withstand increasingly challenging market conditions due to the following:

- **Increased diversification and scale** – HOM is mainly engaged in the origination and management of mortgages through its own branded mortgage brokers and third party broker relationships. RESIMAC is mainly engaged in the provision of non-bank wholesale funds to borrowers in the Prime residential and specialist lending (Non-Conforming) markets. As a result, the Merged Group will become a materially larger and more vertically integrated business than HOM on a standalone basis, and will allow HOM to leverage off RESIMAC's securitisation program to finance new lending to expand its distribution channels and product offerings. We note that HOM currently sources approximately 6.7% of its funding from RESIMAC, which could potentially increase up to approximately 70% over the next couple of years based on preliminary analysis undertaken by RESIMAC[5].

- **Revitalisation of HOM's Securitisation segment** – HOM's Securitisation business segment has declined significantly since the global financial crisis with its contribution to HOM's group NPAT reducing from approximately 49% in FY12 to 23% in FY16. HOM's last RMBS issue was undertaken in 2006, and as a result the Securitisation segment is currently funded mostly through short-term warehouse facilities. Given RESIMAC's specialisation in securitising residential mortgages, the Merged Group will be better positioned than HOM on a standalone basis to revitalise the Securitisation segment and prevent further contraction of the segment, and pursue additional growth opportunities.

  We understand that RESIMAC has already identified various preliminary strategic initiatives that could be adopted such as potentially combining HOM's warehouse facility with one of RESIMAC's existing lower-cost facilities. In this regard, we note that RESIMAC recently successfully issued A$935 million in Prime RMBS (with US$265 million 144a tranche) in April 2016 and A$750 million in Non-Conforming RMBS in August 2016, which was the largest Non-Conforming RMBS issue made in Australia since the financial crisis (see Section 5.2.2. for further details).

- **Stronger financial performance of the Merged Group** – As set out in Section 5.3.1 of this report, RESIMAC has historically generated robust financial performance with strong growth. The RESIMAC's normalised NPAT has increased from A$4.5 million in FY13 to A$13.5 million in FY16. In contrast, HOM's normalised NPAT has decreased from A$6.7 million in FY13 to A$5.8 million in FY16.

  Furthermore we note that RESIMAC's key industry sector, the Non-ADI financing sector is expected to grow at a faster compounded annual growth rate ("CAGR") of 6% over the next five years to 2020-21. This is expected to be supported by continued recovery in the sentiment towards securitised products, strengthening underlying economy and continued demand for housing finance. The Non-ADI sector is also expected to find opportunities to benefit from the strengthening of regulation, supervision and risk management in the banking/ ADI sector. The

[5] We understand that RESIMAC's current debt facilities will allow it to fund a newly originated branded business and a proportion (10%) of non-branded book on its balance sheet.

Merged Group will likely be better positioned to take advantage of such industry trends and manage any future changes to the regulatory environment.

HOM Shareholders will continue to be exposed to the underlying business and growth opportunities of HOM in the enlarged Merged Group to the extent that they continue to hold shares in the Merged Group.

Increased earnings per share

Based on Grant Thornton Corporate Finance's assessment of the normalised NPAT of HOM and the Merged Group and the synergies expected to be realised, the Proposed Transaction should be, all other things equal, earnings per share ("EPS") accretive for the HOM Shareholders once the full cost synergies are realised.

EPS analysis (normalised basis)	Normalised NPAT (A$'000s)	No. of Shares ('000s)	EPS (A$/share)
Before the Proposed Transaction	5,776	105,971	0.055
After the Proposed Transactions (incl. synergies)	23,502	393,687	0.060

Source: GTCF calculations
Note (1): Refer to Section 4.4 for no. of shares outstanding before the Proposed Transaction and Section 6.3 for no. of shares outstanding after the Proposed Transaction.

The key underlying assumptions adopted in the calculations of the EPS are outlined below:

- HOM's normalised NPAT based on actual FY16 results of A$5.8 million.
- RESIMAC's normalised NPAT based on actual FY16 results of A$13.5 million.
- Synergies calculated based on the assessed potential synergies of approximately A$6.0 million (PBT basis) as set out in the Explanatory Memorandum and adjusted for tax. We note that our calculation is undertaken on a pro-forma basis and assuming that the synergies will be achieved immediately and HOM will not incur one-off implementation costs.

However, it is important to understand that the above analysis is on a 'normalised basis' and that in the short term, the EPS of HOM may decline after completion of the Proposed Transaction due to a range of factors such as integration and synergy implementation costs and potential changes in accounting policies.

Cost savings/ potential synergies

Based on discussions with the Management of HOM and RESIMAC and a review of the information available, we understand that circa A$6 million of cost savings on a PBT basis have been identified mainly in relation to the streamlining of head office administrative systems, lease costs and, in some areas, the removal of duplicate roles and functions. These cost savings are expected to be realised within 12 to 18 months with up-front one-off implementation expenses of circa A$2.0 million.

These estimates are based on the detailed review of the potential cost saving areas and a robust risk assessment as to the achievement of those identified cost savings by the Management of HOM and RESIMAC. As set out in the Notice of Meeting and Explanatory Memorandum, HOM and RESIMAC believe that additional synergies and cost savings may be achieved over time, but they have not been included in the current estimate as they are currently not easily quantifiable or timed. Such potential synergies include increasing the proportion of HOM products funded by RESIMAC, cross selling opportunities, and migrating select parts of RESIMAC's operations function to HOM's off-shore, lower-cost Manilla service centre.

We note that both HOM and RESIMAC have had a history of successfully acquiring and integrating businesses. In particular, RESIMAC acquired the A$1.8 billion loan portfolio of RHG Limited in 2014. RESIMAC has since refinanced the RHG Portfolio by replacing the origination acquisition funding with term RMBS and longer term arrangements, and converting the portfolio generating limited profits to a PBT of approximately A$10 million in FY16. However, HOM Shareholders should consider this information with caution and they should not take this precedent as an indication that Merged Group will be able to achieve cost savings and synergies in excess of the amount included in our valuation assessment.

HOM Shareholders share the risk of the Merged Group not being able to at least deliver the synergies and efficiencies incorporated into our valuation assessment of the Merged Group. A failure to achieve targeted synergies may have an adverse impact on the operations and financial performance and position of the Merged Group and the value of its shares. However, based on discussions with the future Management team of the Merged Group, they believe this risk is limited and it is materially mitigated by the collaborative and pro-active steps undertaken by all the stakeholders involved to ensure a smooth integration process upon completion of the Proposed Transaction.

As exiting HOM Shareholders will collectively hold approximately 27.5% of the shares in the Merged Group, to the extent that they continue to hold shares in the Merged Group, they will share any of the synergies that are eventually realised by the Merged Group.

Combined expertise and skills of the boards and management teams

The Merged Group will enable HOM and RESIMAC to combine the expertise and skills of both sets of boards, management teams and general workforce, and enable the deployment of the most qualified personnel and skills across the two companies. Both Management teams also have a strong and successful track-record of integrating historical acquisitions which should assist in the post-merger integration.

Disadvantages

The Proposed Transaction is not fair

Based on the approach required under ASIC RG111, which requires the issue of shares under section 611(7) of the Corporation Act to be treated as a scrip takeover bid, the Proposed Transaction is not fair.

Dividend policy

If the Proposed Transaction is implemented, there is no surety that the Merged Group will continue to pay a dividend in line with HOM's historic dividend payout ratio. However, we note that both Ingot and Somers have represented that should the Proposed Transaction be completed, neither party have intentions to significantly change HOM's existing financial or dividend policies.

Liquidity of the Merged Group

Following completion of the Proposed Transaction, the top 3 shareholders (including Ingot) will increase their collective holding in HOM from approximately 51% to 71% of the issued capital of the Merged Group. Accordingly, the liquidity and free float of HOM Shares may further reduce from the current levels. However, we note that:

- Even before the Proposed Transaction, the depth and liquidity in HOM trading on the ASX was limited with only approximately 2.9% of the issued shares traded in the last 12 months (see Section 8.9 for details).

- The Merged Group is significantly larger than HOM on a standalone basis which may attract greater investor and broker interest. This could potentially lead to improving liquidity in Merged Group shares over the medium to long term.

Reduced influence over the Merged Group and dilution of existing HOM Shareholders

Upon completion of the Proposed Transaction, existing HOM Shareholders will collectively hold approximately 27.5% of the enlarged share capital of the Merged Group, and the Board of HOM will be restructured to consist of two (out of six) directors nominated by HOM. As a result, HOM Shareholders will have reduced ability to influence the operating, financing and strategic decisions of the Merged Group.

Decreases the likelihood of future takeover offer

The concentration of shareholdings will increase materially after the Proposed Transaction with the top 3 shareholders collectively holding 71% of the issued capital in the Merged Group and one shareholder holding circa 57% of the Merged Group. In our opinion, this would likely represent a potential deterrent to a takeover bid for the Company in the future.

Transaction and integration expenses

In conjunction with the Proposed Transaction, HOM expects to incur further transaction expenses of approximately A$0.9 million and RESIMAC will incur A$1.1 million of transaction costs. The Merged Group will also incur one-off implementation costs of approximately A$2.0 million.

Grant Thornton
An instinct for growth™

Other factors

RESIMAC Call Options and prospect of a superior offer or alternative transaction

Under the Call Option Deed, RESIMAC has been granted the right but not the obligation to acquire HOM Shares from HOM's substantial shareholders; Tico and Peterlyn representing 19.9% interest in HOM subject to the emergence of an Alternative Proposal (See Section 1.2 for details). As a result, the RESIMAC Call Options is likely to act as a significant deterrent to other potential interested parties.

We also note that a break fee of A$1.0 million may be payable by HOM in the event that HOM pursues an alternative proposal.

Relative contribution from HOM and RESIMAC to the Merged Group

If the Proposed Transaction is implemented, existing HOM Shareholders will hold approximately 27.5% of the Merged Group. Set out below, we have considered the relative contribution by each company to the Merged Group in relation to certain key items.

Relative contribution analysis	Reference	HOM	RESIMAC
FY16 proforma LBV	Note 1	60.9%	39.1%
FY16 proforma normalised NPAT (excl. synergies)		29.9%	70.1%
FY16 proforma NTA		27.7%	72.3%

Source: GTCF calculations

Note 1 – in our opinion, the above relative contribution analysis based on the LBV does not provide conclusive evidence in relation to the terms of the Proposed Transaction and should be considered cautiously due to the following key considerations:

- The LBV for HOM and RESIMAC cannot be directly compared as the two businesses focus on different part of the mortgage value chain. In particular, we note that approximately 51% of HOM's LBV in FY16 consist of loans under administration which earns significantly lower margins for the broking of non-branded third party lender products. Conversely, RESIMAC's LBV consist of only loans under management funded through RESIMAC's own balance sheet and does not include RESIMAC's 50:50 joint venture with Finsure, an Australian retail finance brokerage with a LBV of A$18 billion in July 2016.

- Whilst HOM Shareholders' collective interest in the Merged Group of up to 27.5% is broadly consistent with the company's relative contribution in terms of both normalised FY16 NPAT and NTA, we note that the growth prospects of the two businesses are different. As discussed in detail in Sections 8.2 and 9.2, we understand that in the short to medium term HOM is expected to achieve relatively limited growth while RESIMAC is expected to continue to realise strong growth rates.

  In addition, we understand that HOM and RESIMAC adopt different accounting policies which impact the NTA and NPAT. In particular, we note that HOM capitalises trailing commissions onto the balance sheet and recognises changes in capitalised trailing commissions through profit and loss, whereas RESIMAC does not for its core business(in line with its reporting requirements).

HOM Share price in the absence of the Proposed Transaction

In relation to the potential movements of HOM share price in the absence of the Proposed Transaction, we note the on 20 July 2016, HOM announced that it had entered into the SIA to effect the Proposed Transaction. The trading prices of HOM increased to a peak of 57 cents on 29 July from 45 cents based on the 5-day VWAP prior to the announcement (circa 27% increase).

Whilst we are not in a position to predict or anticipate the performance of HOM's share price in the absence of the Proposed Transaction, the trading prices may fall from current levels in the absence of the Proposed Transaction. However, HOM Shareholders should take into consideration that the depth and liquidity of HOM Shares is limited and accordingly, small trading volumes may create large oscillations in HOM trading prices.

Implications if the Proposed Transaction is not implemented

If the Proposed Transaction is not implemented, it would be the current Directors' intention to continue operating HOM in line with its objectives. HOM Shareholders who retain their shares would continue to share in any benefits and risks in relation to HOM's ongoing business.

Prospect of a superior offer

The Proposed Transaction is the outcome of a strategic review process undertaken by the HOM Board over the last 18 months. As part of the process, a number of interested parties conducted due diligence on HOM and its operations and/or entered into preliminary discussions with HOM. To date, no superior value proposition to the Proposed Transaction that is realisable by HOM Shareholders has emerged.

In addition, as noted previously, the presence of the RESIMAC Call Options may act as a deterrent to future potential interested parties.

Corporate Governance

If the Somers Option is exercised and the Proposed Transaction completes, Somers will hold approximately 58.9% of the issued capital of the Merged Group. Mr Warren McLeland is the Executive Chairman of Somers and a director of UIL Limited, the largest shareholder of Somers and he will also be appointed as Managing Director of the Merged Group.

In our opinion this governance structure is not necessarily conforming to the Australian best corporate governance practice.

Consideration for the exercise of the Somers Option

If the Somers Option is exercised[6], Somers will purchase Ingot's 79% interest in RESIMAC at fair value before implementation of the Proposed RESIMAC Scheme. The consideration for the exercise of the Somers Option will be in the form of a convertible note (refer to Section 1.5 for more details) issued by Somers. The see through value of the Merged Group implied in the terms of

[6] Somers' present intention is to exercise the Somers Option and Somers is in the process of obtaining the relevant approvals to do so. However, there is no guarantee that these approvals will be obtained.

Grant Thornton
An instinct for growth™

the Somers Option is broadly consistent with the low end of our assessed range of the Merged Group.

Directors' recommendations and intentions

In the absence of a superior proposal and subject to the Independent Expert opinion that the Proposed Transaction is in the best interests of the HOM Shareholders, the HOM Directors unanimously recommend that all HOM Shareholders vote in favour of the Proposed Transaction.

All HOM Directors intend to vote for the Proposed Transaction in respect of the HOM Shares that they own or control in the absence of a superior proposal.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Transaction is **reasonable** to the HOM Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is **NOT FAIR BUT REASONABLE** to the HOM Shareholders. In the absence of a superior alternative proposal emerging, we are of the opinion that the advantages of the Proposed Transaction outweigh the disadvantages and accordingly, we believe that it is in the best interests of the HOM Shareholders to vote in favour of the Proposed Transaction.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Proposed Transaction is a matter for each HOM Shareholder to decide based on their own views of value of HOM and expectations about future market conditions, HOM's performance, risk profile and investment strategy. If HOM Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully,
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

HARLEY MITCHELL
Director

Grant Thornton
An instinct for growth™

8 September 2016

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance" or "GTCF") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by HOM to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Transaction. This report is included in HOM's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in our report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from HOM fees in the order of A$160,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of HOM and RESIMAC in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with HOM or RESIMAC (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

We note that Grant Thornton Australia Limited in the last two years have been engaged as auditors of HOM's Trust Account but have since resigned as auditors in February 2016.

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act 2001.

Grant Thornton
An instinct for growth™

Contents

		Page
1	Outline of the Proposed Transaction	16
2	Purpose and scope of the report	20
3	Industry profile	23
4	Profile of HOM	28
5	Profile of RESIMAC	36
6	Profile of the Merged Group	42
7	Valuation methodologies	45
8	Valuation assessment of HOM before the Proposed Transaction	47
9	Valuation assessment of HOM after the Proposed Transaction	62
10	Source of information, disclaimer and consents	71
Appendix A – Valuation methodology		73
Appendix B – Discounte rate		73
Appendix C – Trading comparable company descriptions		79
Appendix D – Target company descriptions		80
Appendix E – Glossary		81

Grant Thornton
An instinct for growth™

1 Outline of the Proposed Transaction

1.1 Key terms of the Proposed Transaction

On 20 July 2016, HOM and RESIMAC entered into the SIA to implement the amalgamation of HOM and RESIMAC to form the Merged Group. Key terms of the Proposed Transaction pursuant to the SIA are outlined below:

- *Proposed RESIMAC Scheme* – RESIMAC must take all steps reasonably necessary to implement the scheme of arrangement under Part 5.1 of the Corporations Act between RESIMAC and the RESIMAC Shareholders[7] (or the "Scheme Shareholders").

- *Consideration* – for the acquisition of 100% interest in RESIMAC by HOM, the Scheme Shareholders will be issued 12.84 new HOM Shares for each RESIMAC Share (or "Scheme Share").

- *HOM FY16 Dividend* – RESIMAC agrees that HOM may declare or determine a final dividend of up to 2 cents per share on the earlier of the date that the Proposed Scheme becomes effective and 31 October 2016 ("FY16 Dividend"). For the avoidance of doubt, RESIMAC Shareholders who are issued HOM Shares pursuant to the Proposed Transaction will not be eligible to receive the FY16 Dividend as they will not be registered as HOM Shareholders as at the record date for the FY16 Dividend.

- *HOM Performance Rights* – if the Proposed Transaction is approved, the HOM Performance Rights will automatically vest and be exercised. It is anticipated that this will occur before completion of the Proposed Transaction, allowing the holders of the Performance Rights to participate in the FY16 Dividend. As at the date of SIA, HOM had on issue 2,277,077 Performance Rights.

- *RESIMAC Call Options* – HOM acknowledges and agrees that RESIMAC may enter into, and exercise, the RESIMAC Call Options, and that it will not result in any breach of the SIA. The RESIMAC Call Options would represent approximately 19.9% of HOM issued share capital if exercised.

- *Composition of the Board* – following completion of the Proposed Transaction, the Board of the Merged Group ("Merged Group Board") will be restructured to comprise six directors (including the Chairman) as follows:

  - Two directors nominated by HOM.

  - Three directors nominated by RESIMAC.

  - An independent non-executive director as agreed between the parties

  - RESIMAC has the right to appoint the chair of the Merged Group Board. RESIMAC's intention is to appoint the independent non-executive director as chair of the board of the Combined Group.

- *HOM break fee* – unless the Proposed Scheme or the Proposed Transaction becomes effective, a break fee of A$1.0 million will be payable by HOM to RESIMAC in the event that:

[7] Part 5.1 of the Corporations Act 2001 (Cth) provides a method for a company to enter into a court approved, binding compromise or arrangement with its members or any class of them, known as a scheme of arrangement.

- HOM is in breach of any material clause of the SIA; or
- HOM pursues an alternative proposal resulting in the Proposed Transaction not completing; or
- The majority of HOM Directors withdraw their support or adversely modify their recommendation in relation to the Proposed Transaction[8].
- Other circumstances as documented in section 11.2 of the SIA.

- *RESIMAC break fee* – unless completion occurs a break fee of A$1.0 million will be payable by RESIMAC to HOM in the event that:
  - RESIMAC is in breach of any material clause of the SIA; or
  - The majority of RESIMAC Directors withdraw their support or adversely modify their recommendation in relation to the Proposed Scheme; or
  - Ingot Capital Management Pty Ltd ("Ingot"), RESIMAC's largest shareholder with 79% interest in RESIMAC, does not vote to approve the Proposed Scheme.
  - Other circumstances as documented in section 10.2 of the SIA.

  The RESIMAC break fee will not be payable in the event the Proposed Transaction is not approved by the HOM Shareholders.

- *RESIMAC right of last offer* – in the event an Alternative Proposal arises, HOM must provide RESIMAC full details of the Alternative Proposal and 5 business days for RESIMAC to submit an irrevocable written offer of a counter proposal ("Revised Proposal").

- No shop, and no talk and no diligence provisions typical of transactions of this type.

Refer to the SIA for further details.

1.2 RESIMAC Call Options

The key terms of the RESIMAC Call Options are summarised below:

- *Exercise Period* – 60 business days after the date an Alternative Proposal[9] occurs.
- *Expiry Date* – the earlier of:
  - 6 months after the date of the Call Option Deed (i.e. 20 January 2017);
  - Completion date of the Proposed Transaction; and

[8] Except where the Independent Expert (Grant Thornton Corporate Finance) does not conclude, ceases to conclude, or adversely changes its opinion that the Proposed Transaction is in "the Best Interests" of the HOM Shareholders.
[9] Alternative Proposal is defined as a proposed transaction or arrangement under which a third party (other than RESIMAC or its related party) could acquire control, merge or amalgamate with HOM, acquire more than 15% relevant interest in HOM, where a shareholder who currently holds 15% interest in HOM increases its holdings by 3% or more, or acquire an economic interest in all or a substantial part of the HOM business, assets and/or undertakings.

  - If the resolutions to approve the Proposed Scheme by RESIMAC Shareholders are not passed, the date of that meeting of shareholders.

- *Exercise price* – in respect of each RESIMAC Call Option:

  - A$0.60 payable in cash; or

  - If an Alternative Proposal consideration price is more than A$0.60/share, the exercise price will be equal to the lower of the Alternative Proposal consideration price and A$0.69/ share payable in cash.

1.3 Conditions of the Proposed Transaction

The Proposed Transaction is subject to a number of conditions, including but not limited to the following:

- The Proposed Transaction is approved by the HOM Shareholders.
- The Proposed RESIMAC Scheme is approved by RESIMAC Shareholders.
- The Court approves the Proposed RESIMAC Scheme (including taking into account the RESIMAC Call Options).
- Approval from the Foreign Investment Review Board ("FIRB")
- No prescribed occurrences.
- No material adverse changes.
- Other conditions customary of a transaction of this type.

Refer to clause 3 of the SIA for further details.

1.4 Effects of the Proposed Transaction

If implemented, the Proposed Transaction will have the following effects:

- HOM will acquire 100% of RESIMAC Shares.
- The Shareholders of HOM and RESIMAC will own 27.5% and 72.5% interest in the Merged Group, respectively.
- The Board of HOM after the Proposed Transaction (i.e. the Merged Group Board) will be restructured as outlined in Section 1.1.
- Ingot Capital Management Limited, RESIMAC's largest shareholder holding circa 79% of RESIMAC, will hold a controlling interest of 57.31% in the Merged Group.
- As set out in the Explanatory Memorandum, the Merged Group expects to achieve full run-rate cost synergies of approximately A$6 million per annum (profit before tax basis) within 12 to 18

months after completion of the Proposed Transaction. The Proposed Transaction also has the potential to generate revenue synergies.

1.5 Somers Option

We understand that RESIMAC's largest shareholder, Ingot entered into a call option deed with Somers on 9 August 2016 (i.e. the Somers Option). Under the Somers Option, Somers is granted the right to acquire all 17,572,015 (or 79.0%) shares in RESIMAC held by Ingot which will allow Somers to increase its interest in RESIMAC from approximately 2.2% to 81.2%.

Key terms and other considerations in relation to the Somers Option include:

- Somers may exercise the Somers Option at any time prior to the earlier of 25 October 2016 and the date of the second Court hearing for the approval of the Proposed RESIMAC Scheme.

- The exercise of the Somers Option is subject to Somers or its nominee obtaining approval under the Foreign Acquisitions and Takeovers Act 1975 (Cth).

- Consideration for the exercise of the Somers Option will be in the form of a convertible note ("Note") which will convert into shares in Somers upon Somers receiving all relevant regulatory approvals in Australia, Bermuda, the United Kingdom and Ireland in connection with the issue of shares to Ingot. The face value of the Note will be based on the average of the mid-market HOM share price for the 30 days up to and including 9 September 2016 multiplied by the number of shares that Somers will be issued in HOM under the Proposed Transaction and converted into USD (i.e. estimated at approximately US$88.3 million[10]). The number of Somers shares to be issued to Ingot on conversion will be the value of the Note divided by the net tangible asset value of Somers as at 31 July 2016 of US$17.76. We note that this implies a see through value of the Merged Group broadly consistent with the low-end of our valuation assessment. The Note will mature on 29 September 2017 and if it has not been converted by that date Somers will be required to repay the loan to Ingot. The interest rate under the Note will be zero per cent, but in the event Somers pays a dividend to its shareholders prior to the conversion, Ingot has the right to receive the equivalent value of the dividend in shares of Somers.

- Somers has indicated its support for the Proposed RESIMAC Scheme and, if it exercises the Somers Option, intends to cause all of the RESIMAC Shares it acquires from Ingot to be voted in favour of the Proposed RESIMAC Scheme in the absence of a superior offer.

If the Somers Option is exercised and the Proposed Transaction is completed, Somers will be issued 231,922,016 HOM Shares and will hold approximately 58.91% interest in the Merged Group. Somers' present intention is to exercise the Somers Option and Somers is in the process of obtaining the relevant approvals to do so. However, there is no guarantee that these approvals will be obtained.

See Section 6.7 of the NOM for further details.

[10] Estimate calculated based on the average of the mid-market HOM share price and AUD/USD exchange rate for the 28 days up to and including 7 September 2016.

Grant Thornton
An instinct for growth™

2 Purpose and scope of the report

2.1 Purpose

Item 7 of Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and RG 111 issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Item 7 of Section 611 of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. The directors may satisfy their obligations to provide such an analysis by either:

- Commissioning an independent expert's report; or
- Undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated shareholders.

If the Proposed Transaction is completed, the RESIMAC Shareholders will increase their collective shareholding interest in HOM from approximately nil to 72.5% of the enlarged fully diluted share capital. Accordingly, the HOM Directors have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the HOM Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

2.2 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111, which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Transaction with reference to Section 640 of the Corporations Act.

RG 111 states that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:

- The offeror's existing entitlement, if any, in the shares of the target company.
- Other significant shareholding blocks in the target company.
- The liquidity of the market in the target company's securities.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
- Any special value of the target company to the offeror, such as particular technology and the potential to write off outstanding loans from the target company.
- The likely market price if the offer is unsuccessful.
- The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Proposed Transaction is fair to the HOM Shareholders by comparing the fair market value of HOM Shares before the Proposed Transaction on a 100% control basis with the fair market value of HOM Shares after the Proposed Transaction on a minority basis.

In considering whether the Proposed Transaction is reasonable to the HOM Shareholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to HOM and HOM Shareholders if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the HOM Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 "Independence of experts" ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum dated on or around 11 October 2016 in which this report is included, and is prepared for the exclusive purpose of assisting the HOM Shareholders in their consideration

of the Proposed Transaction. This report should not be used for any other purpose. For the avoidance of doubt, Grant Thornton Corporate Finance has not formed an opinion in relation to the following:

- *The Proposed Scheme* – we have not been engaged to form an opinion and we have not formed an opinion in relation to the Scheme for RESIMAC Shareholders.

- *Call Option Deed* – the Proposed Transaction is not contingent on the entering of or the outcome of the Call Option Deed. We have only had regard to the Call Option Deed in our assessment of the reasonableness of the Proposed Transaction.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Extraordinary General Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the HOM Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual HOM Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

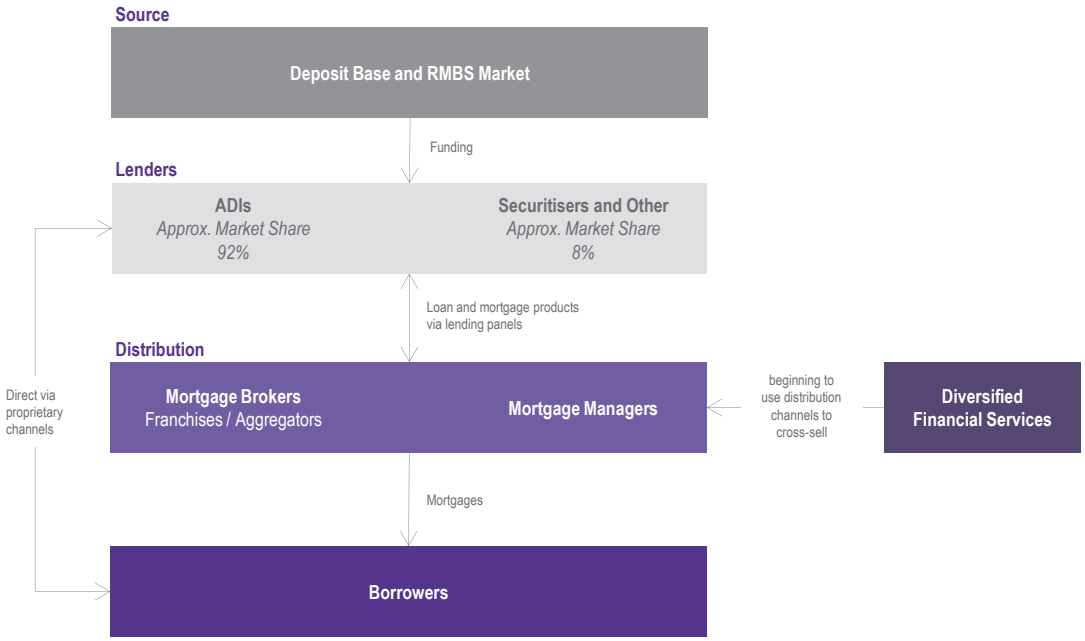
The decision of whether or not to approve the Proposed Transaction is a matter for each HOM Shareholder based on their own views of value of HOM and expectations about future market conditions, HOM's performance, risk profile and investment strategy. If HOM Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

3 Industry profile

HOM is mainly engaged in the origination and management of mortgages, whilst RESIMAC is a non-bank lender. Accordingly, we have focused this section on the residential mortgage services and lending industry in Australia ("the Industry").

3.1 Industry structure

The Industry spans multiple markets across banking, financial services, property development and wealth management. It encompasses enterprises involved in the sourcing, origination and distribution of home loan products to borrowers seeking to finance residential properties. The Industry can be vertically delineated into a number of levels as illustrated below:



Source: GTCF Analysis

HOM is primarily focused on the 'distribution' level of the Industry, receiving the majority of revenue through the provision of mortgage origination and management services. RESIMAC is fully vertically integrated with significant operations in the 'lender' level through its securitisation operations as a non-bank wholesale lender.

Source Funding & Lending

Lenders are comprised of Authorised Deposit-taking Institutions ("ADIs") (primarily banks[11] as well as credit unions and building societies), Securitisers (institutions specialising in sourcing funding through Residential Mortgage-backed Security[12] ("RMBS") and other non-traditional lenders (such as superannuation funds, investment funds, unit trusts and property developers) (together referred to as "Non-ADIs").

[11] The biggest lenders in Australia are the big four banks: CBA, WBC, NAB and ANZ.

[12] RMBS are debt securities backed by a pool of residential mortgages. Payments of principal and interest on the bonds are funded by the underlying mortgage collateral. Securitisation allows for the transfer of risk from the originator of the loan (e.g. RESIMAC) to a third party security holder. Securitised mortgages are loans that have been converted to RMBS and sold to investors via a trust or Special Purpose Vehicle ("SPV"). The securities issued as part of the securitisation is assigned a credit rating by credit rating agencies which has an important role in determining the risk profile of the issue and accordingly the price of the issue.

Lenders generate revenues by offering loan and mortgage products at a spread above their cost of funds as well as through origination, servicing and administration fees.

Loans originated from ADIs, as at 31 March 2016 represented 92.4%[13] of all residential housing loans outstanding, with banks representing 97.2% of total ADI loans. Non-ADIs represented only approximately 7.6% of total loans outstanding.

ADIs source initial funds from both their deposit base and senior debt mix (e.g. RMBS). ADIs, particularly banks, can have a substantial competitive advantage in lending due to their large deposit base, which enables enhanced flexibility in managing funding costs. Smaller ADIs and Non-ADIs are typically more dependent on RMBS due to their limited ability to source funding from deposits and term funding markets. Though, we note that ADIs are also subject to more stringent regulatory requirements than Non-ADIs, particularly in terms of capital reserve requirements (see Section 3.4 for details). RESIMAC is a prominent Non-ADI RMBS arranger in the Australian market.

The credit ratings of Australian RMBS have historically been reasonably high. Underpinning these outcomes has been the very low default rate on Australian residential mortgages as well as a number of layers of credit protection. RMBS can be divided into two categories, dependent on the risk characteristics of loans in the collateral pool. They can either be Prime RMBS, which are backed by mortgages that are lent to borrowers who satisfy standard lending criteria, or Non-Conforming RMBS, which are backed by mortgages to borrowers who have impaired credit histories, do not qualify for Lenders Mortgage Insurance ("LMI") or other high risk characteristics or otherwise fall outside Prime lending criteria. Non-Conforming loans are typically originated by Non-Conforming (specialist) lenders. We note that RESIMAC issues both Prime and Non-Conforming RMBS, whereas HOM has not made a RMBS issue since 2006.

Refer to Section 3.3 for further discussions on the performance of the RMBS market over the last few years.

Distribution Channels

Loan and mortgage products are distributed to consumers primarily through proprietary or third-party pathways by mortgage originators. The major third-party distribution channels are mortgage brokers, managers and aggregators. Both brokers and managers facilitate the market by matching borrowers with lenders. HOM primarily operates in this market space.

- *Mortgage managers* – predominantly operate as a portfolio manager for non-traditional lenders and are responsible for the day-to-day management, administration and general servicing of the loans. Managers generally do not operate under a network, which can have costly overheads and are thus able to pass-on low interest rates to customers. The low-interest rate pass-through is the source of a manager's competitive advantage in the market. Mortgage managers generate revenue through management fees.

- *Mortgage brokers* – acts as an intermediary between borrowers and lenders and earn a commission for their services. An aggregator provides brokers with access to a variety of lenders. The broker may then offer a range of different loans to borrowers. Mortgage brokers generate revenue through commissions which are paid by the loan originator to the broker as a percentage of the gross loan. It is generally paid in two forms – an up-front commission for the initial sign-up of a customer as well as on a trailing basis dependent on the term of the loan.

- *Mortgage aggregators* – many brokers join an aggregator or franchise group to access the group's wide panel of lenders. These groups provide many additional services to brokers such as software and technology, training, general business support and back office administration.

[13] Australian Bureau of Statistics (ABS)

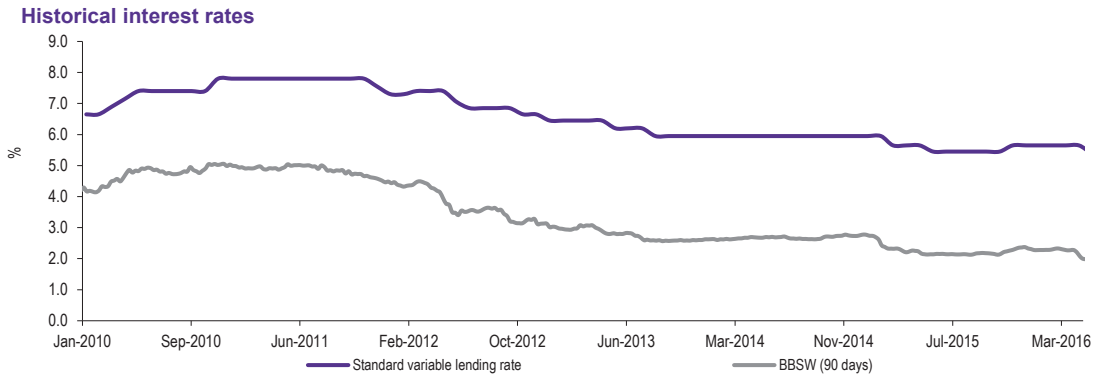
Furthermore, we note that mortgage franchises operate a similar model as aggregators, but additionally have a corporate brand which all brokers work under and a chain of bricks and mortar retail stores. The franchise and aggregator models are not mutually exclusive and some brokers operate as a hybrid between the two.

- *Direct to consumer* – this model utilises proprietary brands to target consumers via online distribution and sponsorship.

3.2 Demand determinants and macroeconomic indicators

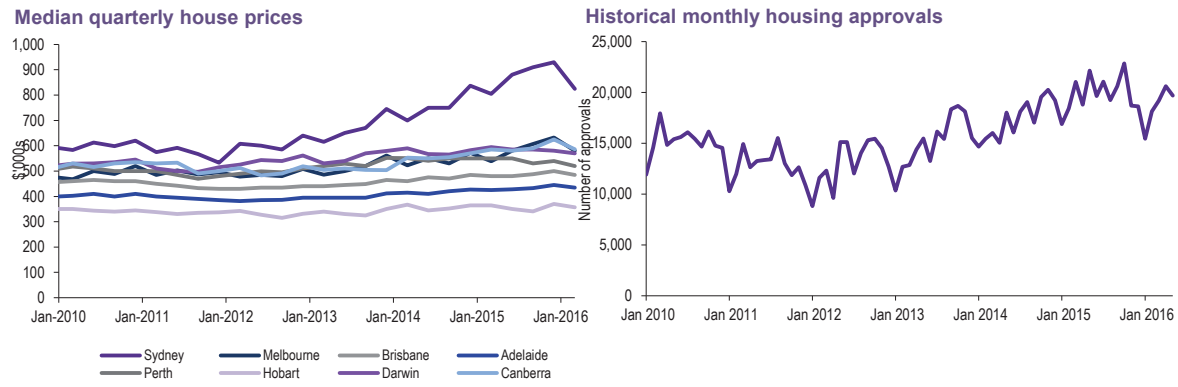
The Industry is heavily influenced by the overall economic conditions. In general, increased economic activity generally results in higher volumes of transactions and as a result, increased lending activity. Key factors are highlighted below:

- *Interest rates* – the BBSW is the typical benchmark rate for borrowers and lenders in the market. The profitability of the Industry is dependent on the net interest margin ("NIM"), the difference between its customer borrowing rates and funding costs. In this regard, we note that whilst the recent decline in interest rate has driven an increase in mortgage volume demand, the NIM for the Industry has come under some pressure due to growing competition.



Source: Australian Bureau of Statistics

- *Property prices and approvals* – property prices have trended higher over the last 10 years in all capital cities, in particular the Eastern seaboard, supporting demand for residential mortgages and RMBS issues. The recent high prices in Sydney and Melbourne, the largest housing markets, have been mainly driven by investor demand. Over the last few months, housing prices have moderated lightly, though over the next year, housing prices are still expected to trend slightly higher.



Source: Australian Bureau of Statistics

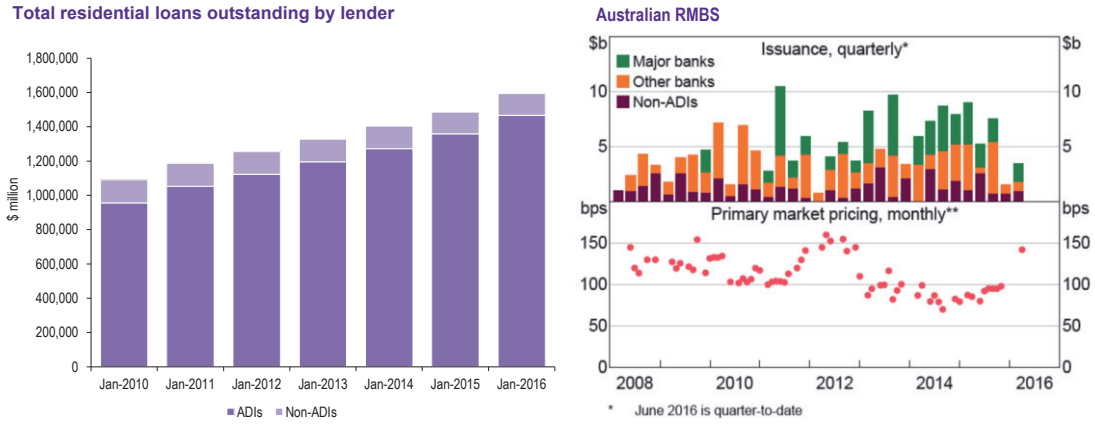
- *Population growth* – an increase in the population will generally lead to an increase in the number of housing transactions and as a result an increase in the number of mortgage applications. New South Wales and Victoria experienced the largest absolute change in population over the last six years.

- *Real household disposable income* – increase in real household disposable income impacts how much borrowers can spend on mortgage repayments and in turn, the size, location and type of property purchased. Over the last few years with decreasing unemployment[14] and continued economic growth, real household disposable income has continued to increase.

3.3 Industry performance

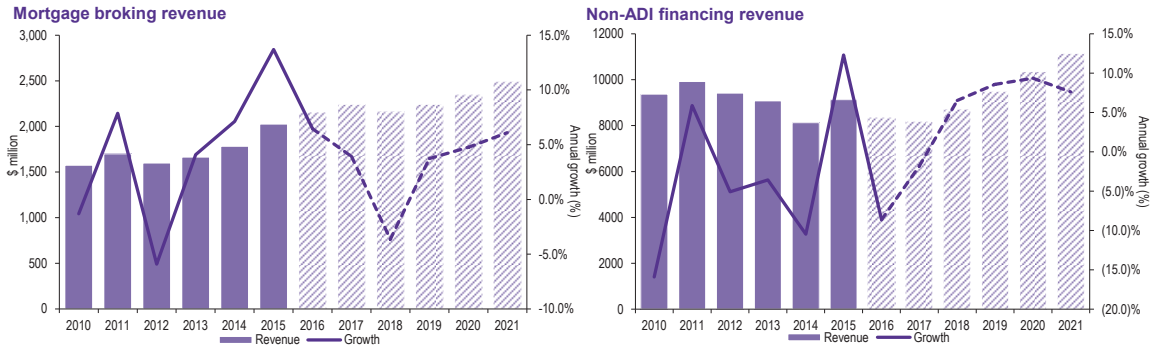
The Industry has grown to play a significant role in the Australian economy. As at 31 March 2016, approximately A$1.6 trillion of housing loans were outstanding[15], with owner-occupied loans accounting for 64% and investor loans accounting for the remaining 37%.

The graphs below provide an illustration of the historical increase in total loans outstanding and issuance of RMBS by ADIs and Non-ADIs:



Source: Reserve Bank of Australia and Australian Bureau of Statistics

The graphs below provide an illustration of the historical performance of the mortgage broking and Non-ADI financing sub-sector.



Source: Ibis World

Note (1): Non-ADI financing revenue includes financing to retail, corporate and wholesale customers.

We note the following with regards to the above:

[14] Australia's seasonally adjusted unemployment rate is approximately 5.7% in March 2016, which is the lowest jobless rate since September 2013.
[15] Australian Bureau of Statistics (ABS)

- The total size of the residential loans outstanding has grown from A$1.1 trillion as at March 2010 to A$1.6 trillion as at March 2016. This growth has been driven by macro-economic factors, namely declining interest rates and low unemployment.

- However, we also note that the overall growth has been attributed to ADI loans which grew at a compounded annual growth rate ("CAGR") of 7.2%, more than offsetting the negative growth in Non-ADI loans (negative CAGR of 1.3%) over the six year period. In the period after the Global Financial Crisis in 2008, the RMBS market has retracted and Non-ADI lenders became less prevalent. Conversely, the big four banks have materially increased market penetration through access to lower cost funding provided by their deposit bases, which was also assisted by the government's introduction of deposit insurance, and vertical integration of the industry value chain. This has reduced their need to pay commission to brokers and other intermediaries, increasing their control over the entire loan origination and management process. However, over the last two years, there has been an uplift in Non-ADI lenders' market share mainly as result of increasing investor demand for RMBS and increasing regulation of ADIs (for example, recent introduction of the investor loan cap and increase in the amount of capital reserve requirements).

- Mortgage broking revenue has grown over the past five years due to rising house prices and low interest rates. Revenue is expected to grow at 6.5% in 2015-16 as a result of the forecast recovery in consumer sentiment and continued demand for residential property. However, growth of the sector is expected to moderate over the next five years.

- Revenue in the Non-ADI financing sector has declined over the past five years at a CAGR of 3.4%. As discussed earlier, the continuous reduction in the cash rate and the sustained high funding margins of the RMBS market have increased competition from the banks, reduced NIM for the Non-ADI sector and have also resulted in a number of Non-ADIs exiting the market.

3.4 Outlook

Varying growth rates are expected in the mortgage broking and Non-ADI financing sub-sectors within the Industry. We note the following factors impacting the varying growth rates:

- The mortgage broking sub-sector is expected to grow at a slower CAGR of 2.9% over the next five years to 2020-21 due to higher penetration in the market and development of competitive technology. The high level of competition in the sector is forecast to have a negative impact on the level of fees and commission received by mortgage brokers, slowing down the overall revenue growth. The government has also ordered ASIC to undertake an inquiry into the mortgage broking industry to examine the effect of current remuneration structures on the quality of consumer outcomes. The review is expected to be completed by the end of 2016. The review may lead to potential regulatory changes with regard to the commissions received by mortgage brokers.

- The Non-ADI financing sub-sector is expected to grow at a faster CAGR of 6% over the next five years to 2020-21 as the underlying economy strengthens and demand for housing financing continues. The low interest rates in the past five years have increased the volume of lending and hence the asset base, and also increased the attractiveness of RMBS in comparison to other lower-yield defensive investments. RMBS funding margins are also expected to continue to trend down with investors gaining more confidence which will improve the NIM for the Non-ADI financing sub-sector and allow for a stronger pursuit of new originations.

  Furthermore, the Non-ADI sector is expected to find opportunities to benefit from the strengthening of the regulation, supervision and risk management of the banking sector as a result of Basel III[16] (and potentially 'Basel IV'). Australia is expected to have substantially implemented

[16] Comprehensive set of international reforms measures set by the Basel Committee on Banking Supervision.

the Basel III accords by 2018. The further regulatory and increased scrutiny of mortgage portfolios is anticipated to increase competition among banks for retail deposits. In turn, this may on a selective basis, enable Non-ADIs such as RESIMAC (given non-bank status) to realise a competitive advantage in a pricing sense.

4 Profile of HOM

4.1 Introduction

HOM is mainly engaged in the origination and management of mortgages through its own branded mortgage brokers and third party broker relationships. HOM was also engaged in the securitisation of mortgages. HOM has offices in most Australian capital cities and has been listed on the ASX since 2001. HOM also has an off-shore, Manila service centre.

As at 30 June 2016, HOM had a total loan book[17] value of A$8.1 billion, comprising of A$4.1 billion in Loans Under Administration ("LUA") and A$4.0 billion in Loans Under Management ("LUM"). LUM represents HOM branded loans managed by the Company and includes those funds managed through direct and third party channels. LUA represents non-branded mortgage broking of third party lender products.

4.2 Current operations

4.2.1 Business segments

HOM currently operates two business segments: Origination and Management, and Securitisation as discussed in further detail below. In FY16, the Origination and Management segment accounted for approximately 77% of HOM's total NPAT and 97.8% of LBV, and the Securitisation segment for 23% of total NPAT and 2.2% of LBV.

Origination and Management

HOM originates and manages mortgages, offering a range of home loans with refinancing options to various homeowners and property investors, and provides ongoing management and support services post settlement of the loans. The segment can be further categorised into the following sub-segments as set out in the table below.

	Lender and mortgage management services	Direct lending	Mortgage broking
Value	$4.0 billion in LUM		$4.1 billion in LUA
Key services	Lender and mortgage servicer to customers via external mortgage brokers.	Lender and mortgage servicer to retail customers.	Branded and non-branded broker services.
Customers	Independent third party residential mortgage brokers.	Residential property owners and investors.	Residential property owners and investors.

Source: HOM Investor Presentation

Note (1): Branded products and services are those managed by HOM, while non-branded includes all other third party products and services.

Note (2): The volume of home loans originated by mortgage brokers represents more than 50% of all new loans acquired in Australia by HOM in FY16.

The revenue sources for the Origination and Management segment are as summarised below:

- An upfront fee is received from the lender based on the settled loan balance. Part of this fee is paid to the broker or sales representative who originated the loan.

[17] The recorded balance of loans held by a financial institution.

- An ongoing fee based on the monthly outstanding loan balance is received from the lender (i.e. trailing commissions). As with the origination revenue, part of this fee is paid to the broker or sales representative who originated the loan.

- An application fee is received for every new loan issued to cover origination costs.

- HOM also receives an upfront and ongoing trailing fees based on the outstanding loan balance when it refers a borrower to another mortgage provider (i.e. through its Mortgage Broking sub-segment).

The LBV of the Origination and Management segment is mainly funded by a broad base of major lenders including Advantedge (division of National Australia Bank) and Bendigo and Adelaide Bank, Pepper Home Loans, Macquarie Group and RESIMAC. HOM has mortgage management agreements with these lenders and the credit risk is borne by these external lenders unless an approved loan had not adhered to the agreed policy between HOM and the external lender. A small portion of new loan settlements is also currently funded through HOM's Securitisation segment which has reduced significantly in size since the GFC.

Securitisation

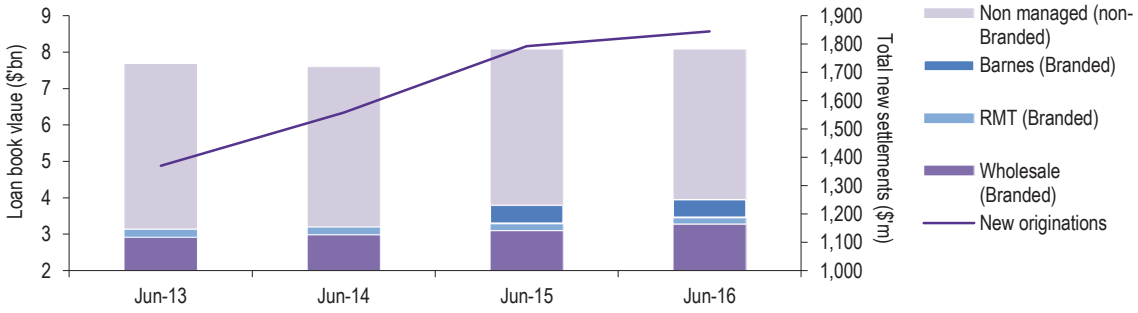
The Securitisation segment securitises mortgages through the Residential Mortgage Trust ("RMT"), HOM's internal lending vehicle. HOM has a warehouse facility with Westpac Banking Corporation ("WBC") and issues loans until a sufficient portfolio of loans is available to be securitised and issued to bondholders. However we note that HOM has not made an RMBS issue since 2006. The majority of RMT's A$0.2 billion LBV is funded through the warehouse facility. We note that all RMT loans are secured by a first ranking mortgage over the residential property and 100% covered by LMI.

RMT's loan portfolio was effectively in run-off prior to the second half of 2013, in line with HOM's strategy to diversify its funding base and focus on its core Origination and Management segment. Going forward, HOM has not planned for any significant expansions or contractions of the RMT portfolio.

4.2.2 Loan book value (LBV)

The graph below provides an illustration of HOM's LBV growth and segmentation over FY13 to FY16.

Historical growth in LBV and new originations



Source: HOM Annual Reports and investor presentations, and GTCF calculations

In relation to the above graph, we note the following:

- HOM's LBV has increased at a CAGR of 1.7% with new loan originations increasing at a CAGR of 10.0% from FY13 to FY16. The slight growth has mainly been driven by the acquisition of

Barnes Mortgage Management Pty Ltd ("Barnes"), a mortgage manager based in Queensland, in February 2015 which added A$0.5 billion in LBV[18].

- Over the last few years, the company's wholesale HOM branded portfolio has grown at a CAGR of 3.3% over FY13 to FY16 (excluding the impact of the Barnes acquisition). This has mostly been driven by both an improving residential lending market and HOM's strategic focus on growing its own branded LBV, largely offsetting the decline in LBV size of HOM's RMT and lower margin, non-branded portfolios. In FY16, of the total new originations of A$1.85 million, approximately 64% was branded and 36% was non-branded.

- HOM has grown its branded LBV by continued investment in its sales force and relationships with brokers by increasing front line staffing levels, broadening its product offerings range and implementing various initiatives to enhance productivity and on-boarding processes.

4.3 Financial information

4.3.1 Financial performance

The following table summarises the audited consolidated statements of financial performance of HOM for the financial year ended 30 June 2013 ("FY13") to FY15, and actual[19] financial performance for FY16.

Consolidated Statement of Financial Performance - HOM	FY13	FY14	FY15	FY16
Stated in A$'000s unless stated otherwise	Audited	Audited	Audited	Preliminary[1]
Group revenue	**59,769**	**53,260**	**56,382**	**57,008**
Net interest income	9,693	8,404	7,849	7,318
Net fees and commission income	15,208	14,882	15,336	16,751
Net interest, fees and comission income	**24,901**	**23,286**	**23,185**	**24,069**
Operating expenses	(15,347)	(14,317)	(14,802)	(15,832)
Profit before income tax (PBT)	**9,554**	**8,969**	**8,383**	**8,237**
Income tax expense	(2,866)	(2,691)	(2,515)	(2,461)
Normalised NPAT	**6,688**	**6,278**	**5,868**	**5,776**
Normalised NPAT margins %	*11.2%*	*11.8%*	*10.4%*	*10.1%*
Add: Restructuring costs and corporate advice costs (pre-tax)	-	(308)	(515)	(700)
Add: Provision for fixtures and fittings removal (pre-tax)	(200)	-	-	-
Less: RMT cashflow re-estimation benefit (pre-tax)	292	204	143	-
Less: Profit on disposal of associate (pre-tax)	1,407	-	-	-
Less: Tax effect of the above	(451)	31	112	210
Reported NPAT	**7,736**	**6,205**	**5,608**	**5,286**
Reported NPAT margins %	*12.9%*	*11.7%*	*9.9%*	*9.3%*

Source: HOM Annual Reports, HOM Management and GTCF calculations
Note (1): We have been advised by the Management of HOM that the audited financial accounts for FY16 are not expected to be materially different.
Note (2): We note that the historical financials included in the NOM are based upon Statutory Accounting View with reclassifications.

We note the following in relation to the above:

- Over FY13-16, normalised NPAT decreased by a CAGR of approximately 5%, though appears to have stabilised over FY15-16. This has mainly reflected the following:

  – The Securitisation segment's NPAT has declined at a CAGR of approximately 24% over FY13-FY16, with the continued reduction in the LBV over time and decrease in margin achieved on

[18] HOM acquired Barnes for a cash consideration of A$2.37 million.
[19] We have been advised by the Management of HOM that the audited financial accounts for FY16 are not expected to be materially different.

new originated loans. Whilst HOM recommenced writing new loans in the RMT during the second half of FY13, RMT is still in net run-off. Over FY15-16, the RMT LBV decreased by approximately 9% and the Securitisation segment's NPAT decreased by approximately 23%.

- The Origination and Management segment's NPAT decreased by a CAGR of approximately 7% over FY13-16 even though segment revenues have increased by a CAGR of 3% over the same period. We note that this has predominately been a result of a decrease in historical NIM realised by HOM. We understand that the decline in NIM over FY12-14 has mostly been absorbed by HOM. With improving underlying economic and residential lending market conditions in FY14-16 and the acquisition of Barnes in FY15, the NIM appears to have stabilised.

- HOM's reported NPAT has been impacted by a number of key unusual and non-recurring items over the observed period as highlighted below:
  - Transaction/ advisory costs in relation to the Proposed Transaction.
  - Restructuring costs in relation to the Barnes acquisition and offshoring.
  - Gains recognised over FY13-16, in relation to the re-estimation of cash flows to be generated from the RMT loan portfolio.
  - Profit on disposal of HOM's investment in nMB Pty Limited in FY13.

4.3.2 Financial position

The consolidated statement of financial position of HOM as at 30 June 2015 and 30 June 2016 are summarised in the table below.

Consolidated Statement of Finanical Position - HOM	30-Jun-15	30-Jun-16
Stated in A$'000s unless stated otherwise	Audited	Preliminary [1]
Cash and cash equivalents	12,316	12,604
Loans and advances to customers	200,438	181,506
Other financial assets	63,829	68,894
Goodwill	13,242	13,242
Other assets	5,862	4,650
Total assets	**295,687**	**280,896**
Interest-bearing liabilities	209,151	188,857
Other financial liabilities	27,782	30,200
Other liabilities	15,363	17,121
Total liabilities	**252,296**	**236,178**
Net assets	**43,391**	**44,718**
Net tangible assets (NTA)	**30,149**	**31,476**

Source: HOM Annual Reports and GTCF calculations
Note (1): We have been advised by the Management of HOM that the audited financial accounts for FY16 are not expected to be materially different.
Note (2): We note that the historical financials included in the NOM are based upon Statutory Accounting View with reclassifications.

We note the following in relation to HOM's balance sheet as at 30 June 2016:

- Cash and cash equivalents consist of A$12.6 million cash at bank, A$6.0 million RMT cash collections account and A$3.2 million restricted cash. The cash at bank amount earns interest at floating rates based on daily bank deposit rates and has a term of less than 3 months. The RMT

cash collections are held in trusts on behalf of investors and are not available to HOM. Restricted cash is cash held in trust as collateral for the borrowing facilities with WBC.

- Loans and advances to customers relate to the lending for residential mortgages and include an allowance for impairment loss.

- Other financial assets relate to future trailing commissions receivable from the origination of managed and non-managed mortgage loans. The fair value of future trailing commission receivable is recognised upon settlement of the loans. This is calculated as the expected future trailing commission receivable under the loan agreement less servicing costs, discounted to their net present value.

  Likewise, the fair value of the trailing commission expense payable to brokers and commissioned staff are recognised upon settlement (included in other financial payables).

- Goodwill relates to the goodwill acquired through business combinations for the Origination and Management segment[20].

- Interest bearing liabilities mainly consist of the following:

  – Secured bank loans of A$1.5 million secured by registered first mortgages over all assets and undertakings of HOM.

  – Warehouse facility of A$168.8 million secured by the assets of the warehouse trust. This facility is a rolling 12 month facility provided by WBC and has been extended to 30 June 2017 with ongoing discussions with the warehouse provider in relation to the future maturity of the facility.

  – Residential mortgage backed securities of A$18.0 million. These securities have a legal final maturity of 32 years from issue and an expected maturity of at least 5 years.

  – Loans from funders of A$0.6 million. These loans relate to the upfront commissions paid by funders when they originate mortgage loans.

4.4 Capital Structure

As at the date of this report, HOM had the following securities on issue:

- 105,727,219 HOM Shares.

- 2,277,077 performance rights (i.e. the HOM Performance Rights) issued under HOM's Employee Long Term Incentive Rights Plan (See Section 4.4.4 for details).

[20] We note that the allocated goodwill to the Securitisation of Mortgages cash generating unit was written down to zero as at 30 June 2008.

4.4.1 Top Shareholders

The following table sets out the top ten shareholders for HOM as at 8 September 2016:

Top Shareholders HOM	Number of shares	%
Macquarie Bank Limited (Strategic Investments A/c)	21,159,193	20.0%
National Australia Bank Limited	18,983,030	17.9%
Redbrook Nominees Pty Ltd	13,188,775	12.4%
Tico Pty Ltd (TA Holmes Family Fund A/c)	8,123,944	7.7%
Peterlyn Pty Ltd (Salmon Family Account)	5,987,497	5.7%
Peterlyn Pty Ltd (RPC Salmon Super Fund A/c)	4,625,359	4.4%
Hartley Phillips Securities Pty Ltd (Hartley Phillips INV TST A/c)	4,612,318	4.4%
Bond Street Custodians Limited (IAH-V20818 A/c)	4,157,016	3.9%
Top 4 Pty Ltd (The Foundation INV S/F A/c)	3,446,312	3.3%
Ferber Holdings Pty Ltd (Scott Super Fund A/c)	1,661,497	1.6%
Total top 10 shareholders	**85,944,941**	**81.1%**
Other shareholders	20,025,584	18.9%
Total	**105,970,525**	**100.0%**

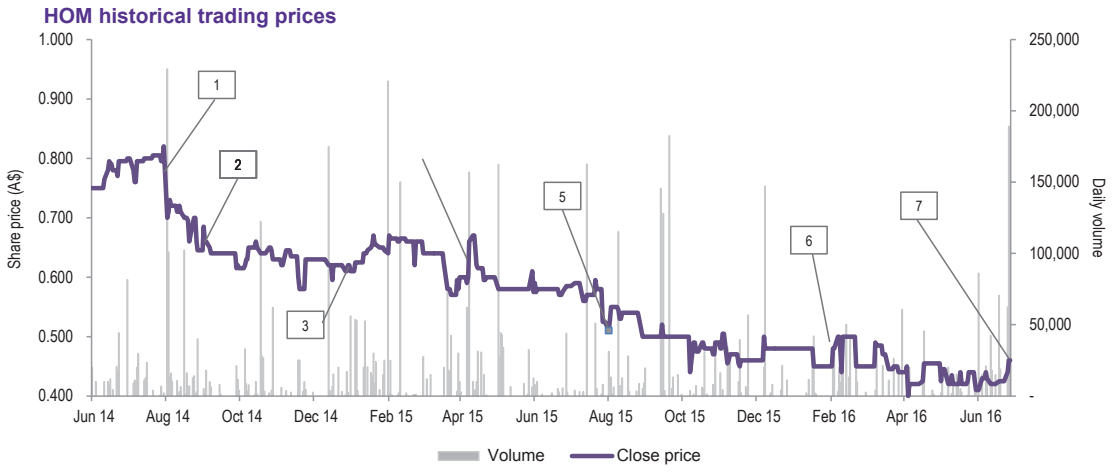
Source: ASX announcements and GTCF calculations

Note: We note the discrepancy between the numbers presented here and the NOM is due to the shares presented in the Notice of Meeting being fully diluted.

We note that approximately 74% of HOM's ordinary shares are owned by the top five largest shareholders (including equity securities in which they have relevant interest). Furthermore, we note that as discussed in the Executive Summary, RESIMAC has entered into a Call Option Deed with substantial HOM Shareholders, Tico and Peterlyn. Under the Call Option Deed and subject to certain conditions, RESIMAC will be granted the right but not the obligation to acquire up to 19.9% HOM Shares from Tico and Peterlyn.

4.4.2 Share price performance

The daily movements in HOM's share price, volumes and key announcements since June 2014 are set out in the following chart.



Source: S&P CapitalIQ, ASX announcements and GTCF calculations

Number	Date	Comment
1	25-Aug-14	HOM released full year 2014 results. Normalised NPAT of $6.3 million was $0.4 million lower than FY13. Share price closed at $0.70.
2	24-Sep-14	HOM announced the allocation price for shares to be issued under the Dividend Reinvestment Plan is $0.615. Share price closed at $0.69.
3	17-Feb-15	HOM acquired Barnes. Share price closed at $0.65.
4	01-May-15	Media speculation regarding a potential transaction. HOM responded with a statement that it regularly holds discussion with various industry participants regarding potential transactions and will update the market in accordance with ASX obligations. Share price closed at $0.66.
5	24-Aug-15	Reported NPAT of $5.6 million- down from reported NPAT of $6.2 million in 2014. Share price closed at $0.51.
6	25-Feb-16	Reported NPAT for the half-year increased by 4.9% to $2.8 million. Share price closed at $0.48.
7	20-Jul-16	HOM entered into a SIA with RESIMAC.

Source: ASX announcements

For further details on the share price of HOM please refer to Section 8.9.

4.4.3 Dividend Policy

Set out below is the historical dividends paid during the last four years:

Dividends paid	Dividends Paid (Cents)	Total (A$'000s)
Interim for 2016	2.0	2,115
Final for 2015	2.0	2,107
Interim for 2015	2.0	2,099
Final for 2014	2.0	2,102
Interim for 2014	3.0	3,204
Final for 2013	3.0	3,194
Interim for 2013	3.0	3,196
Final for 2012	3.5	3,721
Interim for 2012	2.5	2,660

Source: Annual reports

HOM's dividend payout ratio has been in the range of 75% to 86% of NPAT in the last four years.

We note that HOM intends to declare a final dividend of 2 cents upon the Proposed Scheme becoming effective, but in any event no later than 31 October 2016 (i.e. the FY16 Dividend) subject to sufficient funds.

4.4.4 Performance Rights

HOM has 2,277,077 performance rights on issue as summarised in the table below.

Performance Rights Tranches	Number of Rights	Grant Date	Vesting Period	Expiry Date	Performance Hurdles [1]
2014 LTI	416,467	01-Jan-14	31-Dec-2014-31-Dec-2016	31-Dec-16	HOM/Index
2015 LTI	712,499	01-Jan-15	31-Dec-2015-31-Dec-2017	31-Dec-17	HOM/Index
2015 Tenure	250,000	17-Apr-15	17-Apr-2016-17-Apr-2018	17-Apr-18	No hurdle
2016 LTI	898,111	22-Jan-16	31-Dec-2016-31-Dec-2018	31-Dec-18	HOM/Index
Total	**2,277,077**				

Source: Financial reports, S&P CapitalIQ, Appendix 3B and GTCF calculations

Note (1): The HOM hurdle depends on HOM's CAGR in total shareholder return ("TSR") over the Performance Period. The index hurdle depends on HOM's TSR CAGR against ASX Small Ordinaries Index' TSR over the Performance Period. Refer to HOM's annual report for further details.

We have been advised by the Management of HOM that the Performance Rights will either:

- If the Proposed Transaction is not approved – vest and exercised per the terms summarised in the table above.

- If the Proposed Transaction is approved – automatically vest and exercised. It is anticipated that this will occur before completion of the Proposed Transaction, allowing Performance Right holders to participate in the FY16 Dividend.

Grant Thornton
An instinct for growth™

5 Profile of RESIMAC

5.1 Introduction

RESIMAC is mainly engaged in lending to borrowers in the Prime residential and specialist lending (Non-Conforming) markets; with over 30 years' experience operating in the Australian market. Having grown through both loan originations and selective portfolio acquisitions, RESIMAC currently has a LBV of approximately A$5.2 billion as at 30 June 2016 which is funded through a mixture of warehouse and RMBS funding[21]. Notably, RESIMAC was the first Australian non-bank lender to securitise mortgages for funding in 1988.

Historically, RESIMAC has focused on business-to-business ("B2B") wholesale lending via third party distribution networks. RESIMAC is a more vertically integrated business model with a larger diversified range of product offerings i.e. Non-Conforming and Prime uninsured, and its own retail mortgage origination/ distribution channels. The transformation has been supported through a number key acquisitions and joint ventures as discussed further below. RESIMAC's originations and loan acquisitions are funded through its well established funding platforms.

5.2 Current operations

5.2.1 Business segments

RESIMAC currently operates under the following main business segments:

- *Prime* – origination, servicing and funding of residential mortgages to mainstream borrowers. This segment constituted approximately 57% of RESIMAC's total LBV as at 30 June 2016.

- *Non-Conforming* – targets borrowers that do not fall into the typical 'Prime' category. This includes borrowers who are self-employed and are unable to provide traditional income documentation, and borrowers with limited or impaired credit histories. The Non-Conforming portfolio is funded through two dedicated warehouse facilities with major Australian banks. This segment constituted approximately 22% of RESIMAC's total LBV as at 30 June 2016.

- *RHG* – RESIMAC acquired the loan portfolio of RHG Limited ("RHG Portfolio") in January 2014[22]. At the time of acquisition, the RHG Portfolio had a LBV of A$1.77 billion in Prime mortgage assets. RESIMAC has since refinanced the RHG Portfolio by replacing the origination acquisition funding with term RMBS and longer term arrangements. The Portfolio is in run-off mode (i.e. no further new mortgage originations into the portfolio). This portfolio constituted approximately 18% of RESIMAC's total LBV as at 30 June 2016 and is expected to run-off to a relatively immaterial value by FY25.

- *NZF Home Loans* – RESIMAC established a New Zealand subsidiary through the acquisition of 80% of NZF Home Loans Limited in December 2011. It subsequently acquired the remaining 20% in December 2013. NZF Home Loans has a small open loan portfolio of approximately NZ$183 million in FY16 and has a business model that substantially reflects RESIMAC's Australia business.

[21] RESIMAC has a funding model involving RMBS securitisation in the medium term and warehouse facilities with banks in the short term. RESIMAC has diversified its funding base through sourcing investors from across US, Europe and Asia. Notably, RESIMAC has completed five 144a compliant transactions in the US, and issued the first RMBS in the NZ market since 2010. RESIMAC has funded over A$18 billion across 34 domestic and offshore RMBS.

[22] We note that as a part of the RHG acquisition, RESIMAC also acquired Prime Insurance Group Limited ("PIG"), a mortgage insurer. We understand that PIG has a back to back arrangement with AIA International Limited ("AIA") and does not take any insurance risk. PIG was established to provide RHG borrowers an alternative to purchasing LMI policies from the key domestic LMI insurers; Genworth Financial Mortgage Insurance Pty Limited and QBE Lenders Mortgage Insurance Limited. PIG has been wound down for a number of years.

- *Finsure and State Custodians* – RESIMAC owns interests in the following distribution channels:

  – 100% interest in State Custodians Mortgage Company ("State Custodians"), an online home loan distribution platform acquired by RESIMAC in 2011. This acquisition expanded RESIMAC's online direct to consumer distribution channel.

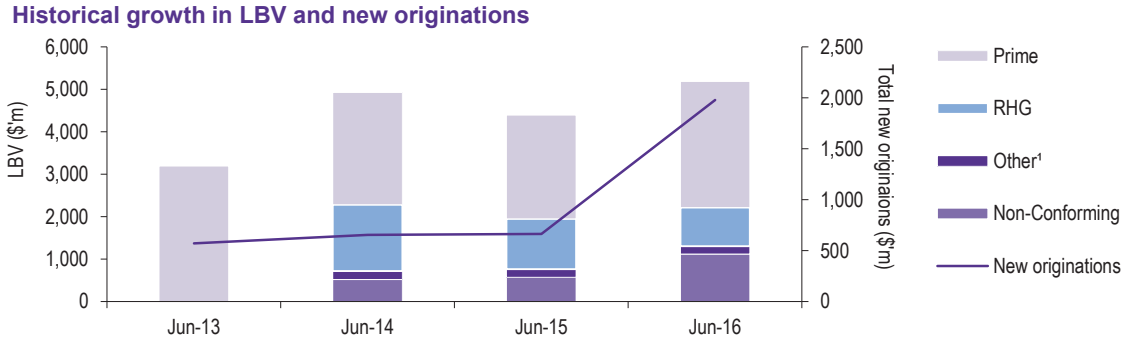
  – 50% interest in Finsure Group ("Finsure"), a mortgage aggregator through a joint venture with 1800 HomeLoans Pty Ltd established in 2011. Subsequently, Finsure acquired 1300 Home Loans, a mortgage lead generation business in February 2012, and Loankit, a Queensland based mortgage aggregator business in September 2013. Finsure promotes RESIMAC loans under the RESIMAC Platinum and Smart Finance brands (approximately 7% of Finsure originations are RESIMAC loans), through a network of over 800 brokers and has a loan book of approximately A$19 billion.

  In FY16, we note that approximately 17% of RESIMAC's new mortgage originations were generated through State Custodians, 52% through Finsure and 31% from third-party party channels (of which 7% was from HOM).

- *Paywise* – RESIMAC also owns an 88% interest in Paywise, a salary packaging and auto financing business, acquired in 2010. Paywise currently provides limited contribution to group profits, however was a strategic investment that is expected to provide both product diversification and home loans cross-selling opportunities.

5.2.2 Loan book value ("LBV") and funding model

The graphs below provide an illustration of RESIMAC's LBV growth and segmentation over FY13 to FY16.



Note (1): 'Other' includes NZF Home Loans and the small UK loan portfolio.
Source: NOM, RESIMAC (Project Big Mac) Due Diligence Report, RESIMAC Management and GTCF calculations

In relation to the previous graph, we note the following:

- In December 2013, RESIMAC completed the sale of its non-core commercial portfolio. We note that the previous graph only reflects the movement in RESIMAC's residential mortgages portfolio.

- RESIMAC's overall loan portfolio is characterised by a broad distribution of exposures to the eastern seaboard capital cities, with lower exposures to regional centres. More specifically we note the following as summarised in the table below.

Portfolios	LBV as at 30 Jun 16 (A$'m)	Portfolio average Approved loan size (A$'000s)	Current LVR (%)	Owner/Investor (ratio)	Remaining term (years)
Prime	2,971	292	68%	56/44	26
Non-Conforming	1,122	368	69%	67/33	27
RHG	909	131	64%	76/24	19
NZH	NZ$183	NZ$ 294	72%	68/32	25
Weighted average based on LBV		**280**	**68%**	**62/38**	**25**

Source: RESIMAC Management and GTCF calculations

- RESIMAC's financial performance is driven by growth in its LBV/ new mortgage originations. Over FY13 to FY16, RESIMAC's LBV increased by approximately 24% (excluding RHG) or 57% (including RHG). The organic growth has largely been supported by improving conditions in the underlying residential markets and also the broader wholesale credit markets.

- RESIMAC funds its loan portfolios and loan acquisitions through an ongoing funding program, which includes warehouse funding in the short term and RMBS securitisation program for medium to long term funding. Examples of some of the recent securitisation deals are shown below:

  - In FY14, RESIMAC issued A$350 million Non-Conforming RMBS and A$750 million Prime RMBS (with US$200 million 144a tranche). The group also reissued a US$260 million Prime RMBS to refinance a US$ bond.

  - In FY15, RESIMAC issued NZ$150 million of Prime RMBS, A$500 million of Prime RMBS (to refinance the RHG portfolio) and A$375 million of Non-Conforming RMBS. The group also reissued A$238 million Prime RMBS to refinance a US$ bond.

  - In FY16, RESIMAC issued A$935 million Prime RMBS (with US$265 million 144a tranche).

  - The most recent RMBS issue by RESIMAC was settled in August 2016, with the issue of A$750 million in Non-Conforming RMBS, which was the largest Non-Conforming RMBS issue in Australia since the financial crisis. The RMBS was issued with 9 tranches as summarised below:

Note Class	Expected Ratings Fitch/Moody's	Initial Subordination%	Expected WAL (yrs)*	Issue Amt (A$'M)	Margin over 1M BBSW (bps)	Security type	Legal Final Maturity (yrs)
A1a	AAA sf / Aaa (sf)	30.00%	0.47	150	70	Pass through	41
A1b	AAA sf / Aaa (sf)	30.00%	2.2	375	165	Pass through	41
A2	AAA sf / Aaa (sf)	18.00%	2.2	90	225	Pass through	41
B	NR / Aa2	7.50%	2.9	78.75	300	Pass through	41
C	NR / A2	6.00%	2.9	11.25	375	Pass through	41
D	NR / Baa2	4.00%	2.9	15	475	Pass through	41
E	NR / Ba2	3.00%	2.9	7.5	665	Pass through	41
F	NR / B2	1.00%	2.6	15	775	Pass through	41
G	NR / NR	-	3.1	7.5	ND	Pass through	41

Source: RESIMAC Management

- Warehouse limits and exposures are dynamic and change over time as the book builds and is then securitised. RESIMAC aims to maintain an average ratio of 70% RMBS funding to 30% warehouse funding across its portfolio

- RESIMAC owns a servicing platform where all loans are managed. RESIMAC's processes and platform are independently evaluated. Standard & Poor's have in November 2015, confirmed RESIMAC's servicer ranking in both the Prime and Non-Conforming businesses as 'Strong'.

5.3 Financial information

5.3.1 Financial performance

The following table summarises the audited consolidated statement of financial performance of RESIMAC for FY13 to FY16.

Consolidated Statement of Financial Performance - RESIMAC Stated in A$'000s unless stated otherwise	FY13 Audited	FY14 Audited	FY15 Audited	FY16 Unaudited[1]
Net interest income	**61,299**	**57,798**	**62,732**	**73,473**
Non-interest net expenses	(14,966)	(15,237)	(7,039)	(3,560)
Total net income	**46,333**	**42,561**	**55,693**	**69,914**
Operating expenses	(39,837)	(40,710)	(45,147)	(50,590)
Normalised PBT	**6,496**	**1,851**	**10,546**	**19,323**
Income tax expense	(1,949)	(555)	(3,164)	(5,797)
Normalised NPAT	**4,547**	**1,296**	**7,382**	**13,526**
Less: Acquisition costs	(3,200)	(5,000)	-	(1,015)
Less: Commerical and other adjustments	(8,900)	(500)	-	-
Add: Tax effect of the above	3,630	1,650	-	305
Reported NPAT	**(3,923)**	**(2,554)**	**7,382**	**12,816**

Source: NOM, RESIMAC (Project Big Mac) Due Diligence Report, RESIMAC Management and GTCF calculations
Note (1): The RESIMAC Board believes this unaudited financial information was prepared with due care and attention and considers all assumptions to be reasonable when taken as a whole. However, this information is not audited and is subject to change.
Note (2): We note that the historical financials included in the NOM are based upon Statutory Accounting View with reclassifications.

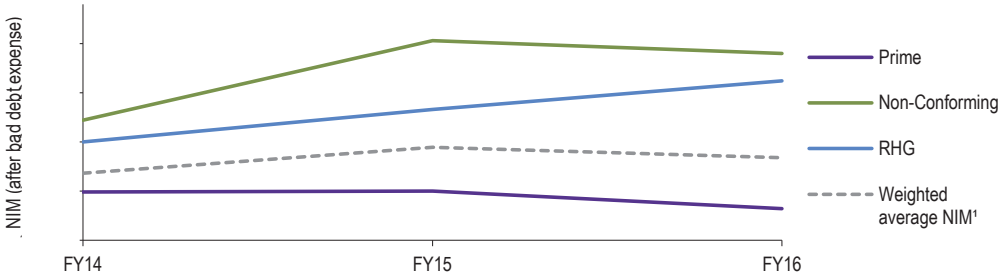
We note the following in relation to the above:

- Total net income has increased on average by 15% per annum between FY13 and FY16. We understand this has also been driven by:

  – A number of acquisitions made over the period as discussed in Section 5.2.1. Notably, in January 2014, RESIMAC acquired the A$1.8 billion RHG portfolio, increasing RESIMAC's LBV to approximately A$5.0 billion. RESIMAC has since fully refinanced the RHG portfolio, reducing funding costs and in turn, contributing to the material increase in net income over FY14-16.

  – Change in sales/ LBV mix towards Non-Conforming from Prime with superior net interest margins ("NIM") being achieved for the Non-Conforming portfolio. The Non-Conforming portfolio's contribution to RESIMAC's group LBV increased from approximately 10.5% in FY14 to 13.5% in FY16. The graph below shows the movement in the effective NIM realised by RESIMAC over the period which has moderated in FY16 from FY15 mainly due to higher funding costs.

Effective net interest margin (NIM)



Note (1): Weighted average NIM based on average LBV for each portfolio (excl. NZH portfolio)
Note (2): We have not disclosed the actual NIM amounts due to commercial sensitivity considerations
Source: RESIMAC (Project Big Mac) Due Diligence Report and GTCF calculations

- Non-interest net expenses have decreased substantially with RESIMAC taking in-house the Unisys mortgage servicing contract for RHG. As a result, mortgage servicing expenses have decreased from A$3.4 million in FY13 to nil in FY16. This has been partially offset by an increase in employee expenses with additional personnel being employed to support the internalisation.

- One-off non-recurring items have been adjusted from Reported NPAT to arrive at the Normalised NPAT. These are summarised below:

  - *Acquisition costs* – mainly related to transaction expenses for the purchase of RHG and other recent acquisitions. In FY16, this relates to transaction costs paid for the Proposed Transaction.

  - *Commercial and other costs* – mainly relate to loss from divestment of the non-core commercial portfolio.

- Taking into consideration the above adjustments, the normalised NPAT has increased materially over FY13-16. This has been predominately driven by growth in net interest income and economies of scale being achieved with increase in the size of the group LBV.

5.3.2 Financial position

The consolidated statement of financial position of RESIMAC as at 30 June 2015 and 30 June 2016 are set out in the table below.

Consolidated Statement of Finanical Position - RESIMAC	Audited	Unaudited[1]
Stated in A$'000s unless stated otherwise	30-Jun-15	30-Jun-16
Assets		
Cash and cash equivalents	181,844	160,300
Loans and advances	4,454,820	5,237,800
Goodwill	434	434
Other assets	53,472	47,912
Total assets	**4,690,570**	**5,446,446**
Liabilities		
Borrowings	4,587,751	5,333,943
Other liabilities	33,016	29,957
Total liabilities	**4,620,767**	**5,363,900**
Net assets	**69,803**	**82,547**

Source: RESIMAC Management
Note (1): The RESIMAC Board believes this unaudited financial information was prepared with due care and attention and considers all assumptions to be reasonable when taken as a whole. However, this information is not audited and is subject to change.
Note (2): We note that the historical financials included in the NOM are based upon Statutory Accounting View with reclassifications.

We note the following in relation to RESIMAC's consolidated balance sheet as at 30 June 2016:

- Total cash held of A$160 million consisted of A$154 million relating to third parties which are not available for corporate operational use.

- Total loans and advances of A$5,238 million consisted of A$5,175 million of net mortgage assets. The remaining items include capitalised incentive costs relating to up front commissions (A$14 million), and loans to related parties of A$10 million.

- Borrowings mainly comprise of RMBS securities on issue secured by a first-ranking charge over the relevant trust assets.

5.4 Capital Structure

As at 31 December 2015, RESIMAC had on issue 22,230,489 fully-paid ordinary shares. We note that approximately 95.2% of RESIMAC's ordinary shares are owned by the top five largest shareholders as set out below.

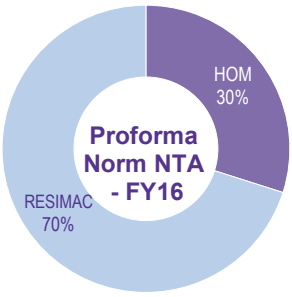
Top Shareholders RESIMAC		Number of shares	%
Ingot Capital Management Pty Limited (inc. in Bermuda)	Section 1.5	17,572,015	79.0%
Motrose Pty Ltd		1,189,868	5.4%
MLC Holdings Limited		980,907	4.4%
W J McLeland		890,970	4.0%
Cuscal Limited		528,903	2.4%
Somers Limited		490,452	2.2%
Westpac Banking Corporation		194,169	0.9%
Credit Suisse Holdings Australia Limited		111,897	0.5%
Macquarie Bank Limited		98,101	0.4%
QBE Lenders' Mortgage Insurance Limited		94,400	0.4%
Total top 10 shareholders		**22,151,682**	**99.6%**
Other shareholders		78,807	0.4%
Total		**22,230,489**	**100.0%**

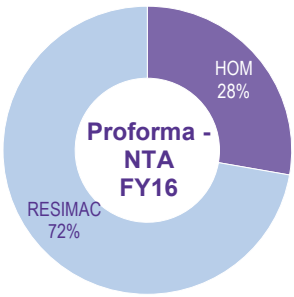
Source: Management and GTCF calculations

6 Profile of the Merged Group

6.1 Introduction

On 20 July 2016, HOM and RESIMAC entered into a SIA to implement the amalgamation of HOM and RESIMAC. If the Proposed Transaction is implemented, HOM will acquire all the outstanding shares in RESIMAC for a scrip consideration of 285,439,079 new ordinary shares in HOM. Once completed, RESIMAC Shareholders will own approximately 72.5% of the Merged Group, while HOM Shareholders will own the remaining 27.5%. RESIMAC's major shareholder Ingot Capital is set to hold 57.31% of the Merged Group. The relative contribution of HOM and RESIMAC towards the Merged Group is shown in the diagram below.





Source: NOM and GTCF calculations

RESIMAC's business model involves selling mortgages that have been financed through the wholesale market, while HOM originates loans that are funded through third party lenders, which include banks and non-bank lenders such as RESIMAC. The Merged Group will become a more fully vertically integrated business engaged in the securitisation, servicing and distribution of mortgages. This allows HOM to leverage off RESIMAC's securitisation program for funding, and its proprietary processing and servicing systems to expand its product offerings and distribution channels to originate new loans.

The combined loan portfolio of the Merged Group will exceed A$13 billion with new annual originations exceeding A$3 billion over the 12 months to 30 June 2016. As at 30 June 2016, RESIMAC and HOM have a loan book value in excess of A$5 billion and A$8 billion respectively.

6.2 Management and Board composition

The Merged Group Board is expected to comprise of the following people:

Name	Position
Warren McLeland	Managing Director
Susan Hansen	Non-executive director
Michael Jefferies	Non-executive director
Robert Salmon	Non-executive director
Robert Scott	Non-executive director
To be appointed	Independent chair

Source: NOM

Furthermore, we note that Mr. Warren McLeland, the Executive Chairman and CEO of RESIMAC, will become Managing Director of the Merged Group, while Mr. Scott McWilliam, CEO of HOM, will be appointed as Joint Deputy Managing Director along with Ms. Mary Ploughman, RESIMAC's Executive Director of Securitisation.

The remaining members of the Merged Group's senior management team have not been finalised as at the date of this report.

6.3 Capital structure and shareholders

Consideration for the acquisition of RESIMAC includes the issue of 285,439,479 new ordinary shares in HOM. Following completion of the Proposed Transaction, the original shareholders of HOM will retain approximately 27.5% interest in the Merged Group as summarised below:

Number of HOM Shares after the Proposed Transaction	*Section Reference*	
Existing number of RESIMAC Shares (000s)	*5.4*	22,230
Share Exchange Ratio (HOM/RESIMAC)	*1.1*	12.84x
New HOM Shares issued under the Proposed Transaction		**285,439**
Add: Existing number of HOM Shares	*4.4.1*	105,971
Add: HOM Performance Rights (vest prior to completion of Proposed Transaction)[1]	*4.4.4*	2,277
Total number of HOM Shares after the Proposed Transaction		**393,687**
RESIMAC interest in the Merged Group after the Proposed Transaction %		*72.5%*
HOM interest in the Merged Group after the Proposed Transaction %		*27.5%*

Note (1): HOM Performance Rights have vested and will be exercised upon approval of the Scheme, before completion of the Proposed Transaction.

Source: NOM, HOM and RESIMAC Management and GTCF calculations

6.4 Future intentions for the Merged Group

We have summarised below the current intentions of the Merged Group. Refer to the Explanatory Memorandum for details:

- Establish a transition team to ensure a smooth transition in relation to the amalgamation and integration of the business carried out by the two companies.

- Removing duplication costs across a number of areas of business, including employee roles. The Merged Group will manage the duplication of roles on a case by case basis through merit based on selection, direct appointment, re-assignment (where possible) and / or natural attrition.

- The Merged Group intends to maintain their existing client facing brands, operating model and client proposition such that it will be largely business as usual.

Grant Thornton
An instinct for growth™

6.5 Pro-forma balance sheet

As set out in the Explanatory Memorandum, HOM has prepared the pro forma balance sheet after the Proposed Transaction, having regard to the actual balance sheets as at 30 June 2016. A summary is set out below. Refer to Section 5.8 of the Notice of Meeting and Explanatory Memorandum for details.

Pro-forma balance sheet - Merged Group (A$m)	HOM Pro-forma FY16	RESIMAC Pro-forma FY16	Adjustments	Merged Group Pro-forma FY16
Assets				
Cash and cash equivalents	12.6	160.0	-	172.6
Loans and advances	181.1	5,237.8	(1.8)	5,417.1
Goodwill	13.2	0.4	4.4	18.1
Future trail commissions receivables	68.9	-	(3.5)	65.4
Other Assets	5.1	48.2	1.0	54.3
Total assets	**280.9**	**5,446.4**	**0.2**	**5,727.5**
Liabilities				
Borrowings	188.9	5,333.9	-	5,522.8
Future trail commissions payables	30.2	-	-	30.2
Other liabilities	17.1	30.0	-	47.1
Total liabilities	**236.2**	**5,363.9**	**-**	**5,600.1**
Net assets	**44.7**	**82.5**	**0.2**	**127.4**

Source: Management

Note: Subject to rounding

Note: Grant Thornton Finance has not reviewed the assumptions adopted by HOM in the preparation of the pro forma balance sheet.

Grant Thornton
An instinct for growth™

7 Valuation methodologies

7.1 Introduction

As part of assessing whether or not the Proposed Transaction is fair to the HOM Shareholders, Grant Thornton Corporate Finance has compared:

- Fair market value of HOM Shares before the Proposed Transaction on a control basis.
- Fair market value of HOM Shares after the Proposed Transaction on a minority basis.

In each case, Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

We note that RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is script or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

7.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

7.3 Methodologies selected

In our assessment of the fair market value of HOM and the Merged Group, Grant Thornton Corporate Finance has relied on the capitalisation of future maintainable earnings. Grant Thornton Corporate Finance has selected the Net Profit After Tax ("NPAT") capitalisation approach (generally referred to as the "Price/Earnings" or "P/E" multiple) and the Net Tangible Assets ("P/NTA") multiple approach due to the following:

- P/E and P/NTA multiples for banks and financial institutions are a widely used and accepted relative valuation measures.
- Availability of transactional evidence and listed financial services company for the calculation and analysis of implied P/E and P/ NTA multiples.
- The use of mark-to-market accounting makes the NTA a reliable indicator of current value.
- No detailed long term forecast cash flows were available.

Our valuation assessment involves:

- Selecting an appropriate level of NPAT/ NTA, having regard to the historical and budgeted operating results after adjusting for non-recurring items of income and expenditure and other known factors likely to affect the future operating performance of the business; and
- Determining an appropriate P/E and P/ NTA multiples having regard to the trading multiples of comparable companies and comparable transaction evidence and the specific circumstances of the company to be valued such as market positioning, quality of earnings, future growth prospects and investment risk.

As cross-check valuation methodologies, we have undertaken a high-level DCF analysis for both HOM and the Merged Group, and we have had regard to HOM trading prices. However, we have put limited reliance on the share trading history due to the limited liquidity of HOM shares.

Grant Thornton
An instinct for growth™

8 Valuation assessment of HOM before the Proposed Transaction

As discussed in Section 7.3, we have selected the P/E and P/ NTA capitalisation approaches to assess the fair market value of HOM.

8.1 Valuation summary

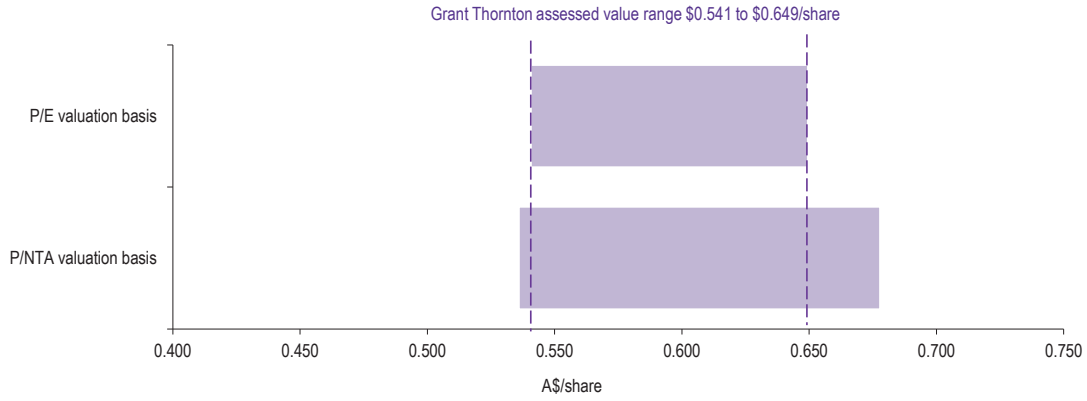
Set out below is our valuation assessment of HOM before the Proposed Transaction based on the capitalisation of maintainable earnings.

Valuation summary of HOM before the Proposed Transaction	*Section*	P/E basis		P/NTA basis	
Stated in A$'000s unless stated otherwise	*Reference*	Low	High	Low	High
Maintainable NPAT or NTA for HOM	*8.2*	5,500	6,000	30,000	30,000
Assessed multiple (control basis)	*8.3*	11.0x	12.0x	2.0x	2.5x
Equity value of HOM Operating Business (on a control basis)		**60,500**	**72,000**	**60,000**	**75,000**
Less: Value of the HOM Performance Rights	*8.4*	(539)	(539)	(539)	(539)
Less: Transaction costs (non-contingent)	*8.5*	(529)	(529)	(529)	(529)
Equity value of HOM (on a control basis)		**59,432**	**70,932**	**58,932**	**73,932**
Number of HOM Shares (000s)	*4.4*	105,971	105,971	105,971	105,971
Value per HOM Share on a control basis (A$) (cum-dividend)		**0.561**	**0.669**	**0.556**	**0.698**
Less: FY16 Dividend	*8.6*	(0.020)	(0.020)	(0.020)	(0.020)
Value per HOM Share on a control basis (A$) (ex-dividend)		**0.541**	**0.649**	**0.536**	**0.678**
Grant Thornton assessed range of HOM Share on a control basis (A$) (ex-dividend)			**0.541**	**to**	**0.649**

Source: GTCF Calculations

Our selection of the value range is also illustrated in the graph below.

Valuation assessment of HOM before the Proposed Transaction (ex- FY16 Dividend)



Source: GTCF Calculations

8.2 Maintainable NPAT and NTA of HOM

The maintainable NPAT and NTA adopted for our valuation purposes is an exercise of judgement that takes into consideration the following factors:

- Historical financial performance and NTA of HOM for FY12 to FY16, as discussed in more detail in Section 4.

- High-level management forecasts for FY17 to FY20 ("the HOM Forecasts") incorporated in the merger model generated by RESIMAC and HOM for the purpose of the Proposed Transaction ("Merger Model"). Whilst we have cautiously considered the HOM Forecasts in

our assessment of the maintainable NPAT and NTA, we have not disclosed the forecasts in this report as they are preliminary in nature and are commercially sensitive, and some of the assumptions underlying the projections are hypothetical rather than best estimates and accordingly, do not meet the requirements for presentation of prospective financial information as set out in RG170. We note that we have utilised the HOM Forecasts to undertake an indicative DCF cross check as set out in Section 8.10.

- Key industry risks, growth prospects and general economic outlook.

- Normalisation of the reported NPAT. This involves adjusting NPAT for non-recurring items of revenue and expenditure (See Section 4.3.1 for outline of normalisation adjustments).

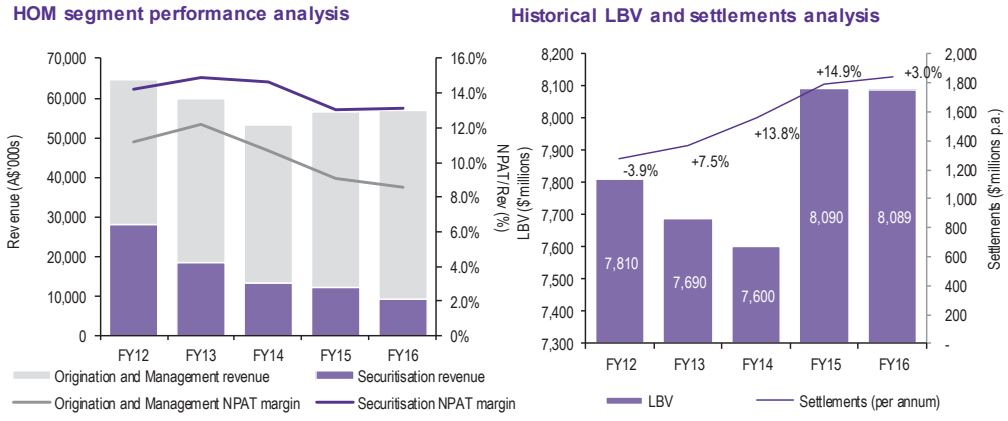
Our assessment of the maintainable NPAT and NTA of HOM is summarised in the table below:

Maintainable NPAT and NTA analysis - HOM	FY12 Actual A$'000s	FY13 Actual A$'000s	FY14 Actual A$'000s	FY15 Actual A$'000s	FY16 Actual A$'000s
NTA (A$'000s)	28,702	29,538	28,317	30,149	31,477
Normalised NPAT (A$'000s)	7,806	6,688	6,278	5,868	5,776
Grant Thornton adopted Maintainable NPAT (A$'000s)			**5,500**	**to**	**6,000**
Grant Thornton adopted Maintainable NTA (A$'000s)					**30,000**

Source: HOM Annual Reports, NOM and GTCF calculations

In summary, in our assessment of the future maintainable NPAT and NTA for HOM, we have considered the following key factors:

- HOM's financial performance over FY13-16 has been adversely impacted by the continued reduction in the LBV over time and decrease in NIM achieved on new originated loans. This reflects the slow recovery and increasing funding margins of the RMBS market, and increasing competition from banks putting downward pressure on margins. However it has been observed that over the last year FY15-16, HOM's financial performance appears to be stabilising with the acquisition of Barnes in FY15 (adding A$0.5 million in LBV) and strong growth in new settlements as illustrated in the graphs below.



Source: Management

- The HOM Forecasts project a limited level of profit growth over the next FY17-20. In this regard, we note the following:

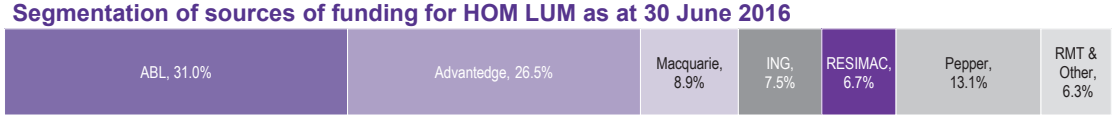
- No further acquisitions to fuel growth. Whilst, HOM's on-going strategy is to continue to grow and diversity its business both organically and via acquisitions, currently no acquisition targets have been identified (other than in relation to the Proposed Transaction).

- In FY16, HOM sourced approximately 77% of its NPAT from the Origination and Management segment. As discussed in more detail in Section 3, the mortgage broking sub-sector is forecast to grow at a slower rate of CAGR of 2.9% over the next five years to 2020-21 due to higher competition and potential regulatory changes to the remuneration structures of mortgage brokers/ managers.

- HOM does not expect any significant expansions or contractions of the RMT portfolio, and new originations are expected to largely offset the natural run-off of the portfolio. Though we note that the RMT portfolio is currently largely funded by warehouse facilities and HOM has not made an RMBS issue since 2006. New originations of the RMT portfolio are also at a significantly lower margin than the existing loan book.

- Over the last few years, HOM has established a relatively diverse funding base for its LUM as illustrated below. HOM expects this to provide the company with more flexibility and stability.

Segmentation of sources of funding for HOM LUM as at 30 June 2016



Source: Management

- In terms of recent initiatives, we understand that HOM has recently completed a major project to replace and upgrade the IT systems that form the Company's core mortgage management platform. This project is expected to improve HOM's value proposition to its broker partners through improved functionality and efficiency, and also improve the cost effectiveness across a number of HOM's company functions, and help support the HOM Forecasts.

Based on the above discussions and a review of the information available, we have assessed:

- Maintainable NPAT between A$5.5 million and A$6.0 million.

- Maintainable NTA of A$30.0 million.

8.3 Assessment of P/E and P/NTA Multiples

The selection of the appropriate P/E and P/NTA multiples to apply are a matter of judgement and involve consideration of a number of factors including:

- The stability and quality of earnings.

- The quality of the management and the likely continuity of management.

- The nature and size of the business.

- The financial structure of the company and gearing level.

- Future prospects of the business.
- Cyclical nature of the industry.
- The extent to which a premium for control is appropriate.
- Expected changes in interest rates.
- The asset backing of the underlying business of the company and the quality of the assets.

For the purpose of assessing an appropriate multiples range to value HOM, we have had regard to:

- The trading multiples of listed comparable companies which have been attributed by share market investors.
- The multiples implied by recent transactions involving comparable companies.

8.3.1 Trading multiples

Summarised below are the trading multiples of the selected companies having regards to the trading prices:

Trading multiples analysis	Market	FY2015	LTM[3]	FY2017	FY2015	LTM[3]	FY2017
	Cap[1]		P/E[2]			P/BV	
Company	(A$m)	Actual	Actual	Forecast	Actual	Actual	Forecast
Australian Finance Group Ltd.	247.0	14.3x	11.1x	10.6x	3.5x	3.0x	2.9x
Mortgage Choice Ltd.	289.1	15.4x	14.7x	13.9x	3.1x	3.0x	2.8x
FSA Group Limited	137.6	9.4x	10.2x	9.2x	2.1x	2.1x	1.6x
Pepper Group Limited	468.2	13.3x	10.0x	7.1x	NA	1.3x	0.9x
Yellow Brick Road Holdings Limited	53.4	NM	NM	NA	1.3x	1.4x	NA
Low	**53.4**	**9.4x**	**10.0x**	**7.1x**	**1.3x**	**1.3x**	**0.9x**
Median	**247.0**	**13.8x**	**10.6x**	**9.9x**	**2.6x**	**2.1x**	**2.2x**
High	**468.2**	**15.4x**	**14.7x**	**13.9x**	**3.5x**	**3.0x**	**2.9x**

Note (1): Market capitalisation and multiples calculated as at 11 August 2016. LBV as at 31 December 2015.
Note (2): P/E calculated based on normalised NPAT or EPS
Note (3): LTM - last twelve months
Note (4): NM – not meaningful/ negative multiple, NA – not applicable/ no data available
Source: Capital IQ, ASX, Company websites, Broker reports, and GTCF calculations

A brief description of the companies listed in the table above is set out in Appendix C.

With regard to the above table we note:

- The P/E and P/NTA multiples presented above reflect the value of underlying companies on a minority basis and do not include a premium for control.
- Whilst all the selected comparable companies are involved in the origination and management of home loans, we note that the majority of comparable companies are materially larger than HOM. The median market capitalisation of the selected comparable companies is A$247 million compared to HOM's market capitalisation of A$47 million as at 30 June 2016. All else being equal, larger companies tend to trade at higher multiples.

- In our detailed review of each comparable company we noted the following key factors:

  - Australian Finance Group ("AFG") is one Australia's largest mortgage broking groups with around 2,600 members nationally. Whilst the company is mainly focused on the provision of wholesale mortgage broking services (i.e. mortgage aggregator) (88% of FY15 revenues), AFG has also been strategically growing its AFG branded home loans and securitisation businesses (12% of FY15 revenues). In comparison, HOM is relatively more focused on the origination and management of branded home loan products and services.

  - Mortgage Choice Limited ("MOC") primarily runs a franchise network (456 franchise numbers in FY15) of mortgage brokers with a product range sourced from a panel of over 20 lenders. In contrast, only approximately 50% of HOM's business is focused on the provision of non-branded mortgage broking services. In addition, HOM also engages in securitisation through the RMT and is therefore a more vertically integrated company than MOC. We also note that MOC is in the process of transitioning into an 'omni-channel integrated financial services company, which is not dissimilar to HOM's future strategy of product and service, and distribution channel diversification.

    We also note that MOC's trading share price has increased significantly over the last month with no clear catalyst. In our opinion, this could reflect investor speculation around a potential transaction and as a result, the trading multiples of MOC may currently incorporate some level of control premium and should be considered with caution.

  - FSA Group only sourced approximately 23% of its NPAT in FY15 from its consumer lending business, which is primarily focused on non-conforming home loans. The remainder of FSA Group's business is focused on the provision of business lending and services to assist clients with entering into payment arrangements with their creditors. Accordingly the level of comparability between FSA Group and HOM is limited.

  - Pepper Group is significantly more diversified than HOM. In FY15, Pepper Group sourced more than 50% of its group revenues from international markets, and also has significant operations in the provision of non-residential loans (e.g. car financing and personal loans) and loan servicing for originators and wholesale funding institutions. Pepper Group's home loans lending business made up approximately of only 11% of AUM[23] and 37% of net income in the 6 months ended 31 December 2015 ("1H16"). Pepper Group also has a significant and expanding securitisation business having completed over A$7.4 billion in RMBS issues since 2001.

  - YBR is a full service wealth management company with a focus on the provision of origination, management and mortgage aggregation services. Whilst YBR does not fund any of its own loans via securitisation like HOM, we noted YBR is significantly more diversified than HOM in terms of its product and service range. YBR also offers commercial mortgage finance, industrial property and specialty equipment finance, wealth management, funds management, accounting and tax, investment services and general insurance solutions.

[23] AUM: Assets Under Management

- We note that companies with higher growth prospects tend to trade at higher multiples. Based on our analysis summarised in the following table, it can be observed that HOM's historical three years Revenue/NPAT/LBV growth is below the median of the comparable companies. HOM's NPAT margin is also lower than the majority of the selected comparable companies.

Growth and margin analysis	Market	3-yr CAGR (FY13-15)		3-yr average	FY15	3-yr CAGR
	cap	Revenue	NPAT	NPAT	LBV	LBV
Company	A$'m	%	%	margin	A$'b	%
Homeloans Limited	53	(4.5)%	(9.1)%	11.1%	8.1	1.2%
Australian Finance Group Ltd.	247	15.8%	2.4%	4.1%	107.0	13.2%
Mortgage Choice Ltd.	289	5.4%	1.3%	11.2%	49.5	4.3%
FSA Group Limited	138	5.6%	14.1%	21.4%	0.3	1.7%
Pepper Group Limited	468	47.7%	29.8%	18.2%	36.8	109.5%
Yellow Brick Road Holdings Limited	53	123.7%	7.1%	(11.2)%	30.8	229.2%
Low	**53**	**(4.5)%**	**(9.1)%**	**(11.2)%**	**0.3**	**1.2%**
Median	**192**	**10.7%**	**4.8%**	**11.2%**	**33.8**	**8.8%**
High	**468**	**123.7%**	**29.8%**	**21.4%**	**107.0**	**229.2%**

Source: Capital IQ, ASX, Company websites and GTCF calculations

In relation to the above table, we also note that Pepper Group and YBR's strong revenue/ NPAT growth have been partly driven by the completion of multiple acquisitions over the period. Furthermore, mortgage brokers such as AFG and MOC have not been subject to the same margin pressures as mortgage managers such as HOM, which have been particularly impacted by competition from the banks.

Overall, whilst none of the peer companies are perfectly comparable to HOM, we believe the selected comparable companies as a whole provides a good guidance for the multiples applicable to HOM. The comparable companies in general face similar business risks and market exposures such as market interest rates, supply and demand for mortgages.

8.3.2 Control premium

The trading multiples have been calculated based on the market price for minority or portfolio shareholdings and do not include a premium for control. A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise basic synergistic benefits.
- Access to cash flows.
- Access to tax benefits.
- Control of the board of directors of the company.

Evidence from Grant Thornton's and other various studies in Australia indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% and that the premiums vary significantly from transaction to transaction.

We have incorporated a premium for control in our assessment of the P/E and P/NTA multiples of listed comparable companies.

In accordance with RG 111, our assessment of HOM will be conducted assuming 100% ownership of all the outstanding securities in HOM.

8.3.3 Transactional multiple

We have further considered multiples implied by historical transactions involving companies comparable to HOM. The table on the following page summarises the P/E and P/NTA multiples implied by these historical transactions.

In relation to the multiples implied by comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special values paid for by the acquirers.

- There have not been any recently completed comparable transactions in the non-bank residential mortgage industry. The transactions observed took place during the period between April 2013 and August 2014. Economic and market factors, including competition dynamics, interest rates and consumer confidence may be materially different from those current as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.

- The multiples may reflect synergies paid by the acquirer which may be unique to the acquirers.

- The transaction multiples are calculated based on the historical NPAT or NTA of the acquired companies (unless otherwise stated) which typically tends to provide higher multiples due to the growth expectations typically included in forecast financial performance.

The following table summarises the multiples implied by these historical transactions:

Transaction multiples analysis								
Completion Date	Target Company	Bidder Company	Stake (%)	Deal Value (A$'m)	LFY NTA (A$'m)	LFY LBV (A$'b)	LFY P/E (Times)	LFY P/NTA (Times)
Aug-14	Resi Mortgage Corporation Pty Ltd	YBR	100%	36	20.8	1.8	NA	1.35x
Aug-14	Vow Financial Pty Ltd	YBR	100%	17	12.8	18.9	11.5x	1.40x
Jan-14	RHG Limited	Mortgage Acquisition Company and RESIMAC	100%	164	75.7	1.9	5.4x	2.04x
Apr-13	HOM	Macquarie Bank Limited	20%	20	28.7	7.8	11.9x	3.53x
Average				**59**	**34.5**	**7.6**	**9.6x**	**2.08x**
Median				**28**	**24.7**	**4.9**	**11.5x**	**1.72x**

Note (1): LFY – Last Financial Year
Source: Capital IQ, ASX, Company websites and GTCF calculations

In relation to the multiples implied by the above transactions, we note that:

- In August 2014, YBR completed the acquisition of Resi Mortgage and Vow for A$36 million and A$17.6 million, respectively. Resi Mortgage was a non-bank lender specialising in the origination and management of home loans and commercial loans. Vow was a mortgage aggregator that represented 776 independent broker groups. We note the implied P/NTA multiples are substantially the same for Resi and Vow despite the material difference in LBV which reflects the difference in the business models of the two companies. In this regard, we note that HOM is more similar to Resi than Vow.

  Furthermore, we note that both Resi and Vow are substantially smaller in size than HOM. In particular, Vow generated an NPAT of only A$1.4 million (LFY to the transaction) compared

to an NPAT of A$5.8 million for HOM in FY16. Generally, larger companies tend to trade at higher multiples.

- In April 2013, MBL completed the acquisition of approximately 19.84% interest in HOM at A$0.95 per share from existing shareholders. We note that the acquisition price of HOM shares by MBL implied a premium of 27% on the share price of HOM before the acquisition by MBL. It is also important to note that at the time of the acquisition, HOM had recognised a normalised NPAT of approximately A$8.0 million in FY12 and A$6.7 million in FY13. HOM's most recent normalised NPAT in FY16 has reduced materially to A$5.8 million. Accordingly, we have had regard to the implied multiple of this transaction with caution.

- In relation to the acquisition of RHG in January 2014, even though RHG was engaged in funding and servicing of residential home loans, which was broadly comparable with HOM at the time of the transaction, RHG was running down its mortgage book and not making any new loans. Between FY11 and FY13, RHG's NPAT halved to approximately A$30 million from A$74 million. Whilst HOM's RMT was also in run-off prior to FY13, RMT's LBV has stabilised in the last couple of years. Accordingly, we have placed limited reliance on the multiples implied by this transaction.

8.3.4 P/E and P/NTA multiples - Conclusion

Based on the analysis of listed comparable companies and comparable transactions, Grant Thornton Corporate Finance has assessed a P/E multiple for the valuation of HOM between 11.0x and 12.0x, and a P/NTA of between 2.0x and 2.5x on a control basis mainly having regard to the following:

- The median LTM multiples of selected trading companies is approximately 10.6x P/E and 2.1x P/NTA, and median FY17 multiples is 9.9x P/E and 2.2x P/NTA on a minority basis. Though majority of the selected companies are larger than HOM, and have realised stronger financial performance over the last few years.

- The median multiples of selected comparable transaction is approximately 11.5x P/E and 1.7x P/NTA on a control basis. Though we note that HOM is substantially larger than majority of the target companies (in particular, Vow and Resi Mortgage). All else equal, larger companies tend to trade at higher multiples.

- The acquisition of 19.8% interest in HOM by MBL in April 2013 implied transaction multiples of 11.9x P/E and 3.5x P/NTA. However, we noted that since FY13 HOM's financial performance have been on a downward trend. Going forward, the market is expected to be relatively more supportive; though we note that HOM does not expect material growth in earnings in the short to medium term on a standalone, organic basis.

8.4 HOM Performance Rights

As set out in Section 4.4.4, HOM had approximately 2.3 million Performance Rights outstanding. We have assessed the value of the Performance Rights to be approximately A$0.5 million based on the following key assumptions:

- Underlying share price of A$0.45 based on the 5-day VWAP of HOM Share price prior to the announcement on 20 July 2016 of the Proposed Transaction. We note that this is within our assessed share price range of HOM before the Proposed Transaction after adjusting for a control premium.

- Based on discussions with HOM Management and analysis of HOM's share price performance in comparison to the ASX Small Ordinaries Index, our opinion is that the probability of the Performance Rights eventually fully vesting is relatively remote. Accordingly, we have adopted a vesting probability of 25% for the Performance Rights expiring in December 2016, and vesting probability of 50% for the Performance Rights expiring in December 2017-18.

8.5 Transaction costs

For the purposes of the valuation, Grant Thornton Corporate Finance has considered the costs associated with the Proposed Transaction. Management has advised that the estimated transaction costs still to be incurred by HOM as at 30 June 2016 will be approximately A$0.53 million irrespective of whether the Proposed Transaction is completed or otherwise.

8.6 FY16 Dividend

As announced by HOM on 20 July 2016, HOM intends to declare a final dividend of 2 cents upon the Proposed Scheme becoming effective, but in any event no later than 31 October 2016 (i.e. the FY16 Dividend). To assess the fair value of HOM Shares on an ex-dividend basis, we have accordingly deducted the FY16 Dividend.

8.7 Sensitivity analysis

We have also conducted a sensitivity analysis to highlight the impact on the share price of HOM (control basis) caused by movements in the maintainable NPAT and P/E multiple, and NTA and P/NTA multiple.

Maintainable NPAT (A$'000s)	P/E multiple (on a control basis)			
	10.0 x	11.0 x	12.0 x	13.0 x
3,500	0.300	0.333	0.366	0.399
4,500	0.395	0.437	0.479	0.522
5,500	0.489	0.541	0.593	0.645
6,000	0.536	0.593	0.649	0.706
7,000	0.630	0.697	0.763	0.829
8,000	0.725	0.800	0.876	0.951

Maintainable NTA (A$'000s)	P/NTA multiple (on a control basis)			
	1.75 x	2.00 x	2.50 x	2.75 x
28,000	0.432	0.498	0.630	0.697
29,000	0.449	0.517	0.654	0.722
30,000	0.465	0.536	0.678	0.748
31,000	0.482	0.555	0.701	0.774
32,000	0.498	0.574	0.725	0.800
33,000	0.515	0.593	0.748	0.826

Source: GTCF Calculations

These sensitivities do not represent a range of potential values of HOM, but they intend to show to the HOM Shareholders the sensitivity of our valuation assessment to changes in certain variables.

8.8 Valuation cross check – Quoted security price

Prior to reaching our valuation conclusion, we have also considered the quoted security price of HOM shares. The table below summarises the monthly trading of HOM shares for 12 months to 30 June 2016 and 20 days to 20 July 2016 (announcement date of the Proposed Transaction).

Month end	Volume traded ('000)	Cumulative volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of total shares	Cumulative volume traded as % of total shares
Jul 2015	69	69	0.577	40	0.07%	0.07%
Aug 2015	294	363	0.565	166	0.28%	0.34%
Sep 2015	212	575	0.534	113	0.20%	0.54%
Oct 2015	541	1,116	0.500	271	0.51%	1.06%
Nov 2015	154	1,270	0.478	74	0.15%	1.20%
Dec 2015	327	1,597	0.472	154	0.31%	1.51%
Jan 2016	48	1,644	0.463	22	0.05%	1.56%
Feb 2016	144	1,789	0.470	68	0.14%	1.69%
Mar 2016	232	2,021	0.484	112	0.22%	1.91%
Apr 2016	192	2,213	0.452	87	0.18%	2.10%
May 2016	101	2,314	0.442	45	0.10%	2.19%
Jun 2016	189	2,503	0.419	79	0.18%	2.37%
Month to 20 Jul 2016 (announcement of the Proposed Transaction)	468	2,971	0.441	206	0.44%	2.81%
Min			**0.419**		**0.05%**	
Average			**0.488**		**0.24%**	
Median			**0.475**		**0.20%**	
Max			**0.577**		**0.54%**	

Source: Capital IQ and GTCF calculations

In relation to the above table we note the following:

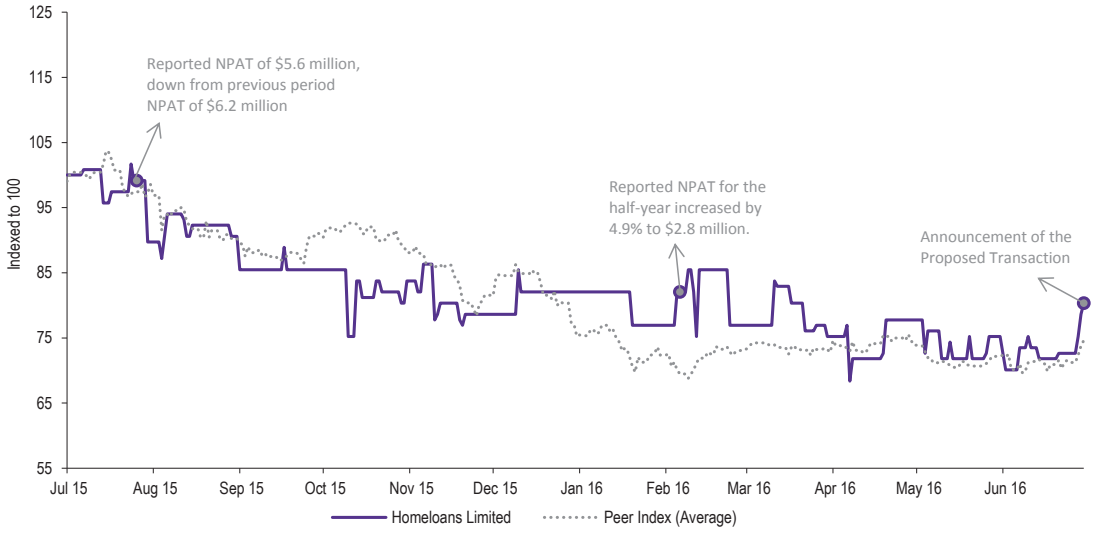
- HOM complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of HOM.
- In the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment.
- There has been historically low level of trading in HOM shares. The monthly volume traded as a percentage of outstanding shares ranged between 0.05% and 0.51% with an average of 0.24%.
- In the last 12 months before the announcement of the Proposed Transaction, approximately 2.9% of the issued shares were traded in total.

Based on the above, we note that the liquidity of HOM shares is low and, accordingly, the trading share price of HOM may not be fully reflective of market value.

We also observed the indexed movement of HOM share prices and the average share price of the selected basket of peer companies[24] over the last twelve months as illustrated in the graph below.

[24] Selected peer companies include Australian Finance Group, Mortgage Choice, FSA Group, Pepper Group and Yellow Brick Road Holdings. See Section 8.3.1 and Appendix C for further details.

Indexed share price movement of HOM and selected basket of peer companies



Source: S&P CapitalIQ, ASX announcements and GTCF calculations

We note that HOM has traded broadly in line with the selected basket of peer companies over the last 12 months. Whilst, we have not adopted the quote security method as a primary valuation method due to the limited liquidity of HOM shares, we have had regard to the share price of HOM on a cross check basis.

Set out below is the VWAP of HOM share price before the announcement of the Proposed Transaction.

VWAP (A$/share)	Low	High	VWAP
Prior to 20 Jul 2016 (announcement of Proposed Transaction)			
5 day	0.440	0.460	0.450
1 month	0.410	0.460	0.434
2 month	0.410	0.460	0.434
3 month	0.400	0.460	0.435
6 month	0.400	0.505	0.450

Source: CapitalIQ and Calculations

The average trading VWAPs for the selected periods above have ranged between A$0.40 and A$0.51 before the announcement of the Proposed Transaction on a minority basis.

Whilst there is limited liquidity in HOM trading prices, our valuation assessment of HOM on a control basis using the capitalisation of maintainable earnings approach is not inconsistent with the trading prices of HOM once a premium for control is taken into account (see Section 8.3.2 for further details on control premiums).

8.9 Valuation cross check – indicative DCF

8.9.1 Introduction

Prior to reaching our valuation conclusion on the value of HOM Shares, we have also considered the DCF methodology as additional evidence to the valuation assessment of HOM Shares based on the capitalisation earning approach.

We note that HOM Management does not prepare long term projections in relation to the business of HOM. Grant Thornton Corporate Finance developed a financial model ("Model") on the operating business of HOM, which was based on the following:

- *Merger Model Projections/HOM Forecasts* – we have analysed the high-level equity cash flow forecasts (i.e. the HOM Forecasts) underlying the Merger Model generated for the purpose of the Proposed Transaction. The forecasts for the period FY17 to FY20 are preliminary in nature and based on hypothetical assumptions. Accordingly, our valuation cross check DCF analysis is only indicative and has been considered with caution.

- *Discussions with Management* – in accordance with the requirements of RG111, we have made enquiries with HOM and RESIMAC Management, and their respective advisors to understand the basis upon which the HOM Forecasts have been prepared.

The assumptions in relation to the financial performance of HOM adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar business. We note that the assumptions used in the Model are inherently subject to considerable uncertainty. It should be noted that the value of HOM could vary materially based on changes in certain key assumptions. Accordingly, we have conducted certain sensitivity analysis in Section 8.10.4 to highlight the impact on the value of HOM Share caused by movements in certain key assumptions.

8.9.2 Key valuation assumptions

The key valuation assumptions underlying the indicative DCF are summarised below:

- *Forecast net cash flow to equity (i.e. dividend distributions)* – as discussed in Section 8.2., the HOM Forecasts project a relatively limited level of profit growth over the next FY17-20. In our opinion, this does not appear unreasonable particularly given HOM's historical performance and the on-going volatility in the financial markets.

- *Net corporate overhead savings* – in our valuation assessment of HOM on a control basis we have assumed that a pool of potential purchasers will be able to achieve at least A$1.0 million per annum (NPAT basis) in overhead savings. We expect such savings to be mostly limited to listing costs, and a portion of head office costs and director fees. We note that the estimated net corporate overhead savings are reflected in the capitalisation multiples adopted in our primary valuation assessment on a control basis.

- *Discount rate* – we have assessed the net present value of future cash flows having regard to an assessed discount rate based on the cost of equity in the range of 12.0% and 14.0% for HOM

before the Proposed Transaction. Refer to Appendix B for details.

- *Terminal value* – we have adopted the Gordon growth model (which is a proxy for modelling the cash flows of a going concern business in perpetuity) and the following terminal value assumptions:

  – 100% of net cash flows will be distributed (i.e. no additional cash above the minimum cash requirement for working capital purposes will be retained).

  – Long term growth rate of 2.5% in line with the RBA's policy to maintain long term inflation rate between 2% and 3%.

8.9.3 Valuation summary – DCF methodology

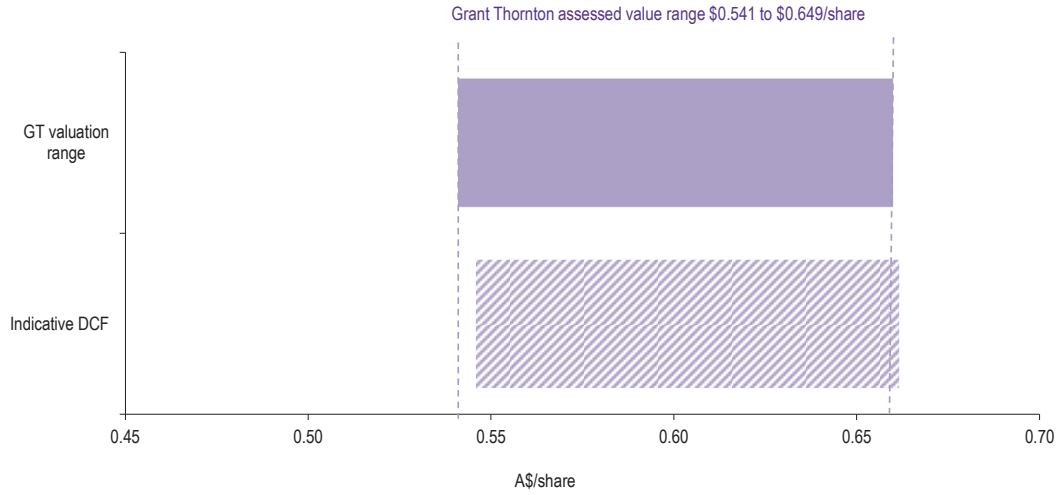
The following table summarises our valuation assessment using DCF methodology:

Valuation crosscheck - indicative DCF method HOM before the Proposed Transaction (A$'000s unless otherwise stated)	*Section Reference*	Low	High
Net present value of future cash flows (including overhead savings)		61,018	73,317
Less: Value of the HOM Performance Rights	*8.4*	(539)	(539)
Less: Transaction costs (non-contingent)	*8.5*	(529)	(529)
Equity value of HOM (on a control basis)		**59,949**	**72,249**
Number of HOM Shares ('000s)	*8.6*	105,971	105,971
Value per HOM Share on a control basis (A$) (cum-dividend)		**0.566**	**0.682**
Less: FY16 Dividend	*8.7*	(0.020)	(0.020)
Value per HOM Share on a control basis (A$) (ex-dividend)		**0.546**	**0.662**

Source: Management and GTCF calculations

As illustrated below, given the substantial overlap in value range, we consider the DCF valuation cross check to be supportive of our assessed value range under the capitalisation of maintainable earnings approach.

Valuation crosscheck of HOM before the Proposed Transaction



Source: GTCF calculations

Grant Thornton
An instinct for growth™

8.9.4 Sensitivity analysis

We have also conducted certain sensitivity analysis to highlight the impact on the value of HOM Share caused by movements in certain key assumptions. The following table summarises our results.

Sensitivity table	Low A$	High A$	Low % change	High % change
Value per HOM Share	0.546	0.662	-	-
LT growth rate				
Increase by 1.0% per annum	0.588	0.728	7.8%	9.9%
Decrease by 1.0% per annum	0.510	0.609	(6.5)%	(8.0)%
Discount rate				
Increase by 1.0 %	0.598	0.740	9.6%	11.9%
Decrease by 1.0%	0.502	0.598	(8.1)%	(9.6)%
FCFE growth rate				
Increase by 5.0% per annum	0.570	0.691	4.5%	4.4%
Decrease by 5.0% per annum	0.521	0.632	(4.5)%	(4.4)%

Source: GTCF calculations

These sensitivities do not represent a range of potential values of HOM Shares, but they intend to show to the HOM Shareholders the sensitivity of our valuation assessment to changes in certain variables.

Grant Thornton
An instinct for growth™

8.10 Valuation cross check – Call Options

Concurrent to the SIA, RESIMAC has entered into the Call Option Deed with substantial HOM Shareholders, Tico and Peterlyn. Under the Call Option Deed, RESIMAC will be granted the right but not the obligation to acquire HOM Shares from Tico and Peterlyn representing, in aggregate, approximately 19.9% interest in HOM.

The Exercise Price in respect of each RESIMAC Call Option is as follows:

- Cash consideration of A$0.60; or
- If an Alternative Proposal consideration price is more than A$0.60/share, the exercise price will be equal to the lower of the Alternative Proposal consideration price and A$0.69/ share payable in cash.

In effect, RESIMAC will have the right to acquire 19.9% interest in HOM for a price between A$0.60 and A$0.69 per share if an Alternative Proposal arises. In this regard, we note that our assessed valuation of HOM before the Proposed Transaction on a control basis of between A$0.54 and A$0.65 overlaps with the low end of the exercise range for the RESIMAC Call Options. We do not consider this to be unreasonable given:

- The RESIMAC Call Options represent the right, not the obligation to acquire HOM Shares at the Exercise Price.
- The Exercise Price is designed to allow RESIMAC to match/improve on the consideration of Alternative Proposals which would be on a control basis and potentially incorporating various levels of synergies.
- Whilst RESIMAC will not gain effective control of HOM or any direct rights to influence the strategy/ Board of HOM, RESIMAC will upon exercise of the Call Options become HOM's second largest shareholder. For RESIMAC this stake would represent an important strategic investment, particularly when an Alternative Proposal arises.

Refer to the Other Factors section of our reasonableness considerations for further discussions on the RESIMAC Call Options.

Grant Thornton
An instinct for growth™

9 Valuation assessment of HOM after the Proposed Transaction

In this section of the report, we have estimated the fair market value of the shares in HOM after Proposed Transaction ("Merged Group Shares") on a minority interest basis.

In assessing the fair market value of HOM after the Proposed Transaction, Grant Thornton Corporate Finance has aggregated the following:

- The market value of the combined Merged Group on a minority basis. We have aggregated the normalised NPAT/ NTA of HOM and RESIMAC (excluding synergies) and then we have selected appropriate capitalisation multiples for the Merged Group that reflects the risk of the business and the stream of income that it generates.

- Value of expected synergies to be realised as a result of the Proposed Transaction.

- Transaction costs.

9.1 Valuation summary

Set out below is a summary of our valuation assessment of HOM after the Proposed Transaction (i.e. the Merged Group) based on the future maintainable earnings.

Valuation summary after the Proposed Transactions	*Section*	P/E basis		P/NTA basis	
Stated in A$'000s unless stated otherwise	*Reference*	Low	High	Low	High
Assessed maintainable NPAT or NTA of the Merged Group	*9.2*	22,000	25,500	131,750	134,100
Assessed multiple (control basis)	*9.3*	11.0x	12.0x	2.0x	2.5x
Minority discount	*Note 1*	23%	23%	23%	23%
Assessed multiple (minority basis)		8.5x	9.2x	1.5x	1.9x
Equity value of the Merged Group Operating Business (on a minority basis)		**186,154**	**235,385**	**202,692**	**257,885**
Add: RESIMAC unlisted investment	*9.4*	662	662	662	662
Less: FY16 Dividends (HOM)	*9.5*	(2,165)	(2,165)	(2,165)	(2,165)
Less: Transaction costs (contingent and non-contingent)	*9.6*	(3,316)	(3,316)	(3,316)	(3,316)
Less: Implementation costs in relation to synergies	*9.2.2*	(2,000)	(2,000)	(2,000)	(2,000)
Equity value of the Merged Group (on a minority basis)		**179,336**	**228,567**	**195,874**	**251,067**
Number of HOM Shares after the Proposed Transaction (000s)	*6.3*	393,687	393,687	393,687	393,687
Value per HOM Share after the Proposed Transaction on a minority basis (A$)		**0.456**	**0.581**	**0.498**	**0.638**
Grant Thornton assessed range of HOM Share on a minority basis (A$) (ex-dividend)			**0.498**	**to**	**0.581**

Source: GTCF Calculations

Note (1): As set out in Section 8.3.2, evidence from Grant Thornton Corporate Finance's and other Australian studies indicates that the premium for control on successful takeovers has typically been in the range of 20% to 40% in Australia. The minority discount is the inverse of the premium for control (minority interest discount = 1-(1/1+control premium))) and is accordingly, between 17% and 29%. In our valuation assessment, we have adopted a minority discount of 23% which is approximately the midpoint of the range of the observed minority discount.

9.2 Maintainable NPAT and NTA of the Merged Group

The following table summarises the maintainable NPAT and NTA of the Merged Group.

Future maintainable NPAT and BV for the Merged Group	*Section*	NPAT		NTA	
(A$'000s)	*Reference*	Low	High	Low	High
Assessed maintainable NPAT or NTA for HOM	*8.2*	5,500	6,000	30,000	30,000
Assessed maintainable NPAT or NTA for RESIMAC	*9.2.1*	13,000	15,000	82,500	82,500
Net potential synergies (excl. implementation costs)	*9.2.2*	3,500	4,500	19,250	21,600
Assessed maintainable NPAT and NTA for the Merged Group		**22,000**	**25,500**	**131,750**	**134,100**

Source: GTCF calculations

Grant Thornton
An instinct for growth™

9.2.1 Assessed maintainable NPAT and NTA of RESIMAC

When considering the maintainable NPAT and NTA of the Merged Group, we have taken into account the assessed maintainable NPAT and NTA for HOM as set out in Section 8.2, and the assessed future maintainable NPAT and NTA of RESIMAC based on the following:

- Historical performance and NTA of RESIMAC for FY13 to FY16 as set out and discussed in Section 5.3. We have also had regard to the financial due diligence report commissioned by HOM on RESIMAC for the purpose of the Proposed Transaction.

- High-level management forecasts for FY17 to FY20 ("the RESIMAC Forecasts") incorporated in the Merger Model. Whilst we have cautiously considered the RESIMAC Forecasts in our assessment of the maintainable NPAT and NTA, we have not disclosed the forecasts in this report as they are preliminary in nature and commercially sensitive.

- RESIMAC's 3 Year Business Plan for FY16 to FY19 ("RESIMAC Business Plan") which has been approved by the Board of RESIMAC.

- Key industry risks, growth prospects and general economic outlook.

- Discussions with RESIMAC Management.

- Normalisation of the reported NPAT. This involves adjusting NPAT for non-recurring items of revenue and expenditure (See Section 5.3.1 for outline of normalisation adjustments).

Our assessment of the maintainable NPAT and NTA of RESIMAC is summarised in the table below:

Maintainable NPAT and NTA analysis - RESIMAC	FY13 Actual A$'000s	FY14 Actual A$'000s	FY15 Actual A$'000s	FY16 Estimate A$'000s
NTA(A$'000s)	64,697	58,681	67,200	81,966
Normalised NPAT (A$'000s)	4,547	1,296	7,382	13,526
Grant Thornton adopted Maintainable NPAT		**13,000**	**to**	**15,000**
Grant Thornton adopted Maintainable NTA				**82,500**

Source: HOM Annual Reports and GTCF calculations

In summary, in our assessment of the future maintainable NPAT and NTA for RESIMAC, we have considered the following key factors:

- RESIMAC is mainly focused on the provision of wholesale residential lending funded through its securitisation programme. However, over the last few years the company has focused on transitioning towards a more vertically integrated business model, and has through a number of acquisitions established its own retail mortgage origination/ distribution channels (namely Finsure and State Custodians). Together, Finsure and State Custodian channels generated in excess of 70% of RESIMAC's new mortgage originations in FY16.

- The financial performance of RESIMAC over FY13 to FY16 has been relatively robust with normalised NPAT having increased at a CAGR of approximately 44%. This growth rate

reflected a number of acquisitions, including notably, the A$1.8 billion RHG portfolio, and also improving NIM realised by RESIMAC.

- Going forward, the RESIMAC Forecasts project continued strong growth rates in NPAT over FY17-20. We understand that this is expected to reflect the following key factors/ trends:

  – No further acquisitions to fuel growth. Like with the HOM Forecasts, we note that this is a conservative assumption and that RESIMAC continues to be proactive in seeking new acquisition opportunities in Australia, New Zealand and the UK.

  – RESIMAC's forecast organic LBV growth is primarily expected to be driven by growth in the State Custodians and Finsure channels with third party channels expected to become a smaller proportion of the business going forward. Though we note that the forecast increase in LBV will also largely depend on RESIMAC being able to successfully source further funding from the RMBS market at a reasonable margin.

  – New originations to Prime and Non-Conforming are also expected to more than offset the run-off of the RHG portfolio. Whilst RESIMAC has over the last couple of years experienced strong growth in new originations, we note that any new business is inherently subject to high levels of uncertainty.

  – The broader wholesale credit markets over the next couple of years are expected to be supportive for increased RMBS supply, including across the RESIMAC programmes. In particular, continued recovery in the sentiment towards securitised products in the US and EU markets are expected to support expansion of RESIMAC's offshore RMBS issuances.

    In this regard, we note that RESIMAC recently successfully issued A$935 million in Prime RMBS (with US$265 million 144a tranche) in April 2016 and A$750 million in Non-Conforming RMBS in August 2016 (see Section 5.2.2. for further details).

  – Potential further regulatory changes around the capital adequacy of banks and increased scrutiny on their mortgage portfolio may increase competition among banks for retail deposits. In turn, this may on a selective basis, enable RESIMAC (as a non-bank lender) to realise a competitive advantage in a pricing sense.

Based on the analysis in the previous sections, we have assessed the future maintainable NPAT of RESIMAC between A$13 million and A$15 million, and maintainable NTA of A$82.5 million.

9.2.2 Potential synergies

For the purpose of our valuation assessment of the fair market value of the Merged Group, we have also taken into consideration the synergies expected to be realised as a result of combining HOM with RESIMAC in the Merged Group.

In our consideration of potential synergies, we have had regard to the following:

- Net cost synergy estimates prepared by HOM and RESIMAC Management which include a high-level profiling of expected cost savings and related implementation costs. The identified cost synergies of approximately A$6 million per annum (on a PBT basis) are expected to arise mainly from the streamlining of head office administrative systems, lease costs and, in some areas, HOM and RESIMAC personnel.

We note the reasonableness of the synergy estimates have not been independently reviewed, however Management expects these synergies to be relatively low risk and should be achievable within the 12 to 18 months following completion of the Proposed Transaction.

- We note that other operational and financial benefits (including revenue synergies and additional cost savings) are expected to arise however, they are not immediately quantifiable and have not been included by Grant Thornton Corporate Finance in the estimated potential synergies. Such additional synergies include the potential for increasing the proportion of HOM's LBV that is funded by RESIMAC, and consolidating warehouse facilities (for further discussions refer to the Reasonableness Section of this report).

- We have accounted for the one-off implementation costs of approximately A$2.0 million separately as set out in Section 9.1.

On the basis of the above, we have assessed the potential synergies arising from the Proposed Transaction to be in the range of A$3.5 million to A$4.5 million per annum (on a NPAT basis, and excluding one-off implementation costs), and have incorporated these into our assessed maintainable NPAT for the Merged Group. This is summarised in the table below.

Net potential synergies (A$'000s)	Low	Mid	High
PBT cost synergies	5,500	6,000	6,500
Tax	(1,650)	(1,800)	(1,950)
PAT cost synergies	**3,850**	**4,200**	**4,550**
Grant Thornton adopted maintainable cost synergies (NPAT basis) (A$'000s)	**3,500**	**to**	**4,500**

Source: GTCF calculations

Based on the above, we have also assessed the implied potential synergies on an NTA basis of between A$19.3 million and A$21.6 million assuming a P/NTA range of between 2.0x and 2.5x on a control basis (as discussed in detail in the below section).

9.3 P/E and P/NTA multiples

For the purpose of assessing an appropriate P/E and P/NTA multiple ranges to value the Merged Group, we have had regard to:

- HOM will account for approximately 30% of the Merged Group's maintainable NPAT and 25% of NTA (excluding synergies) (see Section 9.2). Accordingly, we have had particular consideration to our selected P/E multiple in the range of 11.0x to 12.0x and P/NTA multiple in the range of 2.0x to 2.5x for HOM (set out in Section 8.3).

- Whilst both HOM and RESIMAC operate in the residential mortgage lending industry in Australia, HOM is mainly focused on the origination and distribution of home loans (i.e. mortgage broking sub-sector) whereas RESIMAC is more focused on the wholesale lending of home loans funded through the RMBS market (i.e. the Non-ADI financing sub-sector). As discussed in the industry overview Section 3, the mortgage broking sub-sector is expected to grow at a slower rate due to higher penetration in the market and development of competitive technology, while conversely the Non-ADI financing sub-sector is expected to grow at a faster rate in the short to medium term as the underlying economy strengthens and demand for financing continues. In addition, the Non-ADI financing sub-sector is expected to benefit from potential regulatory changes around the capital adequacy of banks. We note that we have already considered this difference in expected growth in our adopted future maintainable NPAT and BV.

- The net potential cost synergies adopted in our assessed future maintainable NPAT and BV, already reflect the potential economies of scale a larger business (compared to HOM on a standalone basis) could achieve.

Based on the above, Grant Thornton Corporate Finance has assessed a multiple for the valuation of the Merged Group between 11.0x and 12.0x P/E and 2.0x and 2.5x P/NTA on a control basis.

9.4 Unlisted investment

As at the valuation date, RESIMAC held 110,400 shares in eChoice Limited ("ECO"), a company mainly engaged in the retail, wholesale, management, and aggregation of mortgages in the home loan financing segment in Australia. We note that ECO was delisted from the ASX on 16 August 2016, however RESIMAC has confirmed that, *"we are committed to our position in eChoice and are a long-term investor"*.

We have assessed the value of RESIMAC's interest in ECO as summarised below:

Valuation assessment of RESIMAC's shares in ECO	
Number of ECO Shares held by RESIMAC as at 30 June 2016 ('000s)	110,400
1-day VWAP of ECO Shares as at 20 July 16 (A$/share)	0.006
Assessed value of RESIMAC's holdings in ECO Shares (A$'000s)	**662**

Source: S&P Capital IQ, RESIMAC Management and GTCF calculations

We note we have not applied a further liquidity discount to ECO despite its delisted status, as even before delisting, ECO had very limited liquidity in its listed shares.

9.5 FY16 Dividend

If the Proposed Transaction is approved, all 2.3 million HOM Performance Rights will automatically vest and be exercised. It is anticipated that this will occur before completion of the Proposed Transaction, allowing Performance Right holders to participate in the FY16 Dividend. Accordingly, we have calculated the value of the FY16 Dividend to be paid as summarised in the table below.

FY16 Dividend if the Proposed Transaction is approved	*Section Reference*	
Number of HOM shares outstanding as at date of the SIA	*4.4.1*	105,970,525
Number of HOM Performance Rights to automatically vest	*4.4.4*	2,277,077
Total number of outstanding HOM Shares before completion of the Proposed Transaction		**108,247,602**
Dividend to be declared (A$/share)	*4.4.3*	0.02
Value of dividends (A$)		**2,164,952**

Source: GTCF calculations

9.6 Transaction costs

Transaction costs of A$3.3 million include both contingent (A$2.0 million) and non-contingent transaction costs (A$1.3 million[25]) still to be incurred by HOM and RESIMAC if the Proposed Transaction is successfully completed.

[25] Non-contingent transaction costs of A$1.3 million include A$0.5 million attributable to HOM (see Section 8.5) and A$0.8 million attributable to RESIMAC.

9.7 Sensitivity analysis

We have also conducted a sensitivity analysis below to highlight the impact on the share price of the Merged Group (minority basis) caused by movements in the maintainable NPAT and P/E multiple, and NTA and P/NTA multiple.

Maintainable NPAT (A$'000s)	P/E multiple (on a minority basis)			
	8.0 x	8.5 x	9.2 x	10.0 x
20,000	0.389	0.413	0.452	0.491
21,000	0.409	0.434	0.475	0.516
22,000	0.430	0.456	0.499	0.542
25,500	0.501	0.531	0.581	0.630
26,500	0.521	0.552	0.604	0.656
27,500	0.542	0.574	0.627	0.681

Maintainable NTA (A$'000s)	P/NTA multiple (on a minority basis)			
	1.50 x	1.54 x	1.92 x	1.95 x
133,750	0.492	0.505	0.636	0.645
132,750	0.488	0.501	0.631	0.640
131,750	0.485	0.498	0.626	0.635
134,100	0.494	0.507	0.638	0.647
135,100	0.497	0.511	0.643	0.652
136,100	0.501	0.515	0.648	0.657

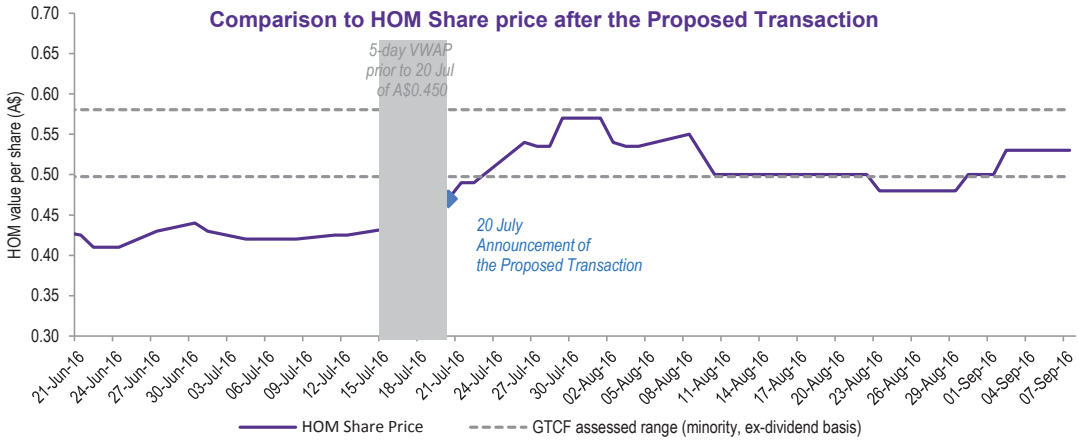
Source: GTCF Calculations

These sensitivities do not represent a range of potential values of the Merged Group, but they intend to show to the HOM Shareholders the sensitivity of our valuation assessment to changes in certain variables.

9.8 Valuation cross check – Quoted security price

The trading prices of HOM following announcement of the Proposed Transaction should reflect market's expectations in relation to the fair market value of the Merged Group.

Accordingly, as a cross check to our valuation of the Merged Group, Grant Thornton Corporate Finance has also considered the trading prices of HOM after the announcement of the Proposed Transaction as illustrated below:



Source: S&P CapitalIQ and GTCF calculations

Based on the above analysis, our valuation assessment of the Merged Group does not seem inconsistent with the value of the Merged Group implied in the trading prices of HOM post announcement of the Proposed Transaction. However, as discussed in Section 8.9, the liquidity of HOM Shares is limited and, accordingly, this analysis should be considered with caution.

9.9 Valuation cross check – indicative DCF

9.9.1 Introduction

Prior to reaching our valuation conclusion on the value of the Merged Group Shares, we have also considered the DCF methodology as an additional evidence to the valuation assessment of the Merged Group Shares based on the capitalisation earning approach.

As with our indicative DCF cross check for HOM set out in Section 8.10, we have based our DCF for the Merged Group on the following:

- *Merger Model* – we have analysed the high-level equity cash flow forecasts ("Projections") underlying the Merger Model for RESIMAC and HOM.

- *Discussions with Management* – in accordance with the requirements of RG111, we have made enquires with HOM and RESIMAC Management, and their respective advisors to understand the basis upon which the Projections have been prepared.

9.9.2 Key valuation assumptions

The key valuation assumptions underlying the indicative DCF are summarised below:

- *Forecast net cash flow to equity (i.e. dividend distributions)* – we have aggregated the HOM and RESIMAC Forecasts to estimate the forecast net cash flow for the Merged Group. We note that the forecast net cash flows are projected to increase substantially over FY17-20, mainly driven by the RESIMAC Forecasts as discussed in Section 9.2.

- *Net synergies* – estimated net cost synergies of approximately A$6 million per annum (on a PBT basis) and initial implementation costs of approximately A$2 million (as discussed in Section 9.2.2) have also been incorporated into the DCF.

- *Discount rate* – we have adopted a discount rate for the Merged Group in the range of 14.0% to 16.0%, with a mid-point of 15.0% (refer to Appendix B for further details).

  Whilst we note that the Merged Group is a larger and more diversified business, we have selected a discount rate that is higher than our assessed discount rate for HOM before the Proposed Transaction. This is based on the consideration that the forecast growth for RESIMAC beyond FY17 is materially higher than the expected growth rate for the industry and we have been provided with limited supporting details in relation to the growth forecast rate. In addition, whilst RESIMAC has historically achieved strong growth levels, a material proportion of that growth has been driven by acquisitions. The forecast growth for RESIMAC is also dependent on the company being able to continually source funding and successfully issue RMBS.

- *Terminal value* – we have adopted the Gordon growth model as discussed in Section 8.10.2.

For further details regarding the cash flows of HOM before the Proposed Transaction, refer to Sections 8.10.2.

9.9.3 Valuation summary – DCF methodology

The following table summarises our valuation assessment using DCF methodology:

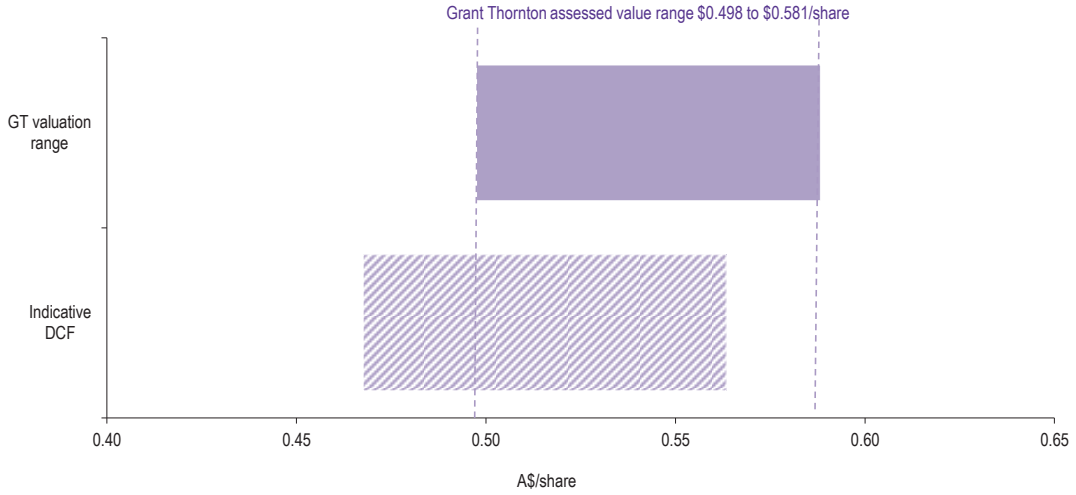
Valuation crosscheck - indicative DCF method HOM after the Proposed Transaction (A$'000s unless otherwise stated)	*Section Reference*	Low	High
Net present value of future cash flows		246,099	295,085
Add: RESIMAC unlisted investment	*8.4*	662	662
Less: FY16 Dividends	*7.7*	(2,165)	(2,165)
Less: Transaction costs (contingent and non-contingent)	*7.5*	(3,316)	(3,316)
Less: Implementation costs in relation to synergies		(2,000)	(2,000)
Equity value of the Merged Group (on a control basis)		**239,281**	**288,267**
Minority discount	*Note 1*	23%	23%
Equity value of the Merged Group (on a minority basis)		**184,062**	**221,744**
Number of HOM Share after the Proposed Transaction ('000s)	*7.6*	393,628	393,628
Value per HOM Share after the Proposed transaction on a minority basis (A$)		**0.47**	**0.56**

Source: Management and GTCF calculations

Note (1): As set out in Section 8.3.2, evidence from Grant Thornton Corporate Finance's and other Australian studies indicates that the premium for control on successful takeovers has typically been in the range of 20% to 40% in Australia. The minority discount is the inverse of the premium for control (minority interest discount = 1-(1/1+control premium))) and is accordingly, between 17% and 29%. In our valuation assessment, we have adopted a minority discount of 23% which is approximately the midpoint of the range of the observed minority discount.

As illustrated below, given the substantial overlap in value range, we consider the DCF valuation cross check to be supportive of our assessed value range under the capitalisation of maintainable earnings approach.

Valuation crosscheck of HOM after the Proposed Transaction



Source: GTCF calculations

Grant Thornton
An instinct for growth™

9.9.4 Sensitivity analysis

We have conducted certain sensitivity analysis to highlight the impact on the value of the Merged Group Share caused by movements in certain key assumptions. The following table summarises our results.

Sensitivity table	Low A$	High A$	Low % change	High % change
Value per Merged Group Share	0.47	0.56	-	-
LT growth rate				
Increase by 1.0% per annum	0.50	0.61	6.3%	7.8%
Decrease by 1.0% per annum	0.44	0.53	(5.4)%	(6.5)%
Discount rate				
Increase by 1.0%	0.43	0.51	(8.1)%	(9.2)%
Decrease by 1.0%	0.51	0.63	9.4%	11.0%
FCFE growth rate				
Increase by 5.0% per annum	0.49	0.59	5.1%	5.1%
Decrease by 5.0% per annum	0.44	0.53	(5.1)%	(5.1)%
Percent of net synergies achieved				
125% achieved	0.48	0.58	2.4%	2.4%
75% achieved	0.46	0.55	(2.4)%	(2.4)%

Source: GTCF calculations

These sensitivities do not represent a range of potential values of the Merged Group Shares, but they intend to show to the HOM Shareholders the sensitivity of our valuation assessment to changes in certain variables.

Grant Thornton
An instinct for growth™

10 Source of information, disclaimer and consents

10.1 Source of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Scheme Implementation Agreement
- Call Option Deed
- HOM Extraordinary General Meeting Explanatory Memorandum
- ASX announcements
- Annual reports
- Ernst & Young due diligence report
- Management accounts
- Monthly board presentations
- Discussions with management
- IBISWorld.
- S&P Capital IQ.
- Other publicly available information.

10.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by HOM, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by HOM through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of HOM or RESIMAC.

This report has been prepared to assist the Directors of HOM in advising the HOM Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable to the HOM Shareholders.

HOM has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by HOM, which HOM knew or should have known to be false and/or reliance on information, which was material information HOM had in its possession and which HOM knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. HOM will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

Grant Thornton
An instinct for growth™

10.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Memorandum to be sent to HOM Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodology

Discounted cash flow

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the WACC. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Net asset backing/orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of listed securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions and/or listed trading companies to establish a value for the current transaction.

The comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Discount Rate

Introduction

We have used the Capital Asset Pricing Model ("CAPM"), which is commonly used by practitioners, to calculate the discount rate for the purpose of our indicative DCF crosschecks set out in Sections 8.10 and 9.9.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium

Risk free rate

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. We have observed the yield on the 10-year Australian Commonwealth Government Bond over several intervals from a period of 5 trading days to 10 trading years as set out in the table below:

Australia Government Debt - 10 Year as at 20 July 2016	Range			Daily average
Previous 5 trading days	1.92%	-	1.99%	1.96%
Previous 10 trading days	1.87%	-	1.99%	1.94%
Previous 20 trading days	1.87%	-	2.26%	1.97%
Previous 30 trading days	1.87%	-	2.70%	2.31%
Previous 60 trading days	1.87%	-	2.70%	2.36%
Previous 1 year trading	1.87%	-	3.03%	2.59%
Previous 2 years trading	1.87%	-	3.74%	2.79%
Previous 3 years trading	1.87%	-	4.44%	3.16%
Previous 5 years trading	1.87%	-	4.98%	3.33%
Previous 10 years trading	1.87%	-	6.79%	4.59%

Source: S&P CapitalIQ and GT Calculations

Given the unprecedented, historically low Australian Commonwealth Government Bond yields as a result of the volatility in global equity markets, we believe utilising a long-term average yield is reasonable given the current economic climate. Accordingly, we have adopted a risk free rate of 3.33%, which is consistent with our view of an appropriate long-term risk free rate estimate.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

Empirical studies of the historical risk premium in Australia over periods of up to 100 years suggest the premium is between 6% and 8%. For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6%. This is consistent with our assumption in relation to the long term risk free rate.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Grant Thornton
An instinct for growth™

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of this report, we have had regard to the observed betas (equity betas) of comparable companies operating in the residential mortgage lending industry.

While selecting the comparable companies, we note that:

- Whilst none of the peer companies are perfectly comparable to HOM, we believe that the selected comparable companies provide a good guide to the business risks and market exposures faced by HOM and the Merged Group.

- We note that a majority of the comparable companies are larger than HOM.

Summarised below are the equity betas of the comparable companies based on five years of monthly observations:

Company Beta analysis	Country	Market Cap $'million	Equity Beta[1]	Ungeared Beta	Regeared Beta
HOM	Australia	50	0.57	0.18	0.46
Australian Finance Group Ltd.	Australia	219	1.53	0.39	1.02
Mortgage Choice Ltd.	Australia	253	1.05	1.05	2.76
FSA Group Limited	Australia	129	1.14	0.41	1.08
Pepper Group Limited	Australia	416	1.44	0.16	0.43
Yellow Brick Road Holdings Limited	Australia	56	1.33	1.33	3.49
Average (exl. HOM)			**1.30**	**0.67**	**1.76**
Median (excl. HOM)			**1.33**	**0.41**	**1.08**

Source: S&P CapitalIQ and GT calculations
Note (1): Equity betas are calculated using data provided by S&P CapitalIQ. The betas are based on a five-year period with monthly observations and have been degeared based on the average gearing ratio over five years.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error. The gearing ratio has been determined after considering the historical gearing levels of the comparable companies, HOM and RESIMAC, and our understanding of the industry. We used the following formula to undertake the degearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:
- βe = Equity beta
- βa = Asset beta
- t = corporate tax rate

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while the measured equity betas of the listed comparable companies provides a useful benchmarks against which the equity beta used in estimating the cost of equity for the Company, the selection of an unsystematic equity beta requires a level of judgement.

For the purposes of this valuation, we have selected a beta range of between 0.9 and 1.1 to calculate the required rate of return on equity capital.

Specific risk premium

Specific risk premium represents the additional return an investor expects to receive to compensate for country, size and project related risks not reflected in the beta of the observed comparable companies.

In assessing the appropriate specific risk premium to be applied, we have considered the following:

- The nature and size of the business compared to the selected comparable companies
- Uncertainty associated with the cash flow forecasts

Based on the above, we have adopted a specific risk premium in the range of:

- *HOM before the Proposed Transaction (3% to 4%)* – mainly reflect HOM's smaller size and diversification of product offerings in comparison to the selected comparable companies.
- *HOM/ Merged Group after the Proposed Transaction (5% to 6%)* – a higher premium has been applied to HOM after the Proposed Transaction due to the high levels of inherent risks associated with the higher growth rates forecasted for RESIMAC which is contingent on a range of company and market specific factors. This includes factors such as RESIMAC's ability to continue sourcing funding from the RMBS market at favourable margins, interest rate volatility, demand for residential mortgages and improvements in RESIMAC brand recognition by consumers. Forecasted synergies are also contingent on the Merged Group being able to achieve reasonable levels of integration between the two businesses.

We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the total specific risk premium is not fully quantifiable with analytical data.

Grant Thornton
An instinct for growth™

Discount rate calculation

The discount rate is determined as set out below:

Discount rate analysis	Before the Proposed Transaction		After the Proposed Transaction	
	Low	High	Low	High
Risk free rate	3.3%	3.3%	3.3%	3.3%
Beta	0.90	1.10	0.90	1.10
Market risk premium	6.0%	6.0%	6.0%	6.0%
Specific risk premium	3.0%	4.0%	5.0%	6.0%
Discount rate	**12.0%**	**14.0%**	**14.0%**	**16.0%**

Source: GTCF calculations

Appendix C – Trading comparable company descriptions

Company	Description
Australian Finance Group Ltd.	Australian Finance Group Ltd. provides mortgage broking services in Australia. It operates in two segments, AFG Wholesale Mortgage Broking and AFG Home Loans. The company offers residential and commercial mortgages and AFG-branded and securitized products, such as AFG Home Loans, as well as financial products, including insurance products, equipment and leasing finance, and personal loans. Australian Finance Group Ltd. was formerly known as Australian Finance Group Pty Ltd. The company was founded in 1994 and is headquartered in West Perth, Australia.
Mortgage Choice Ltd.	Mortgage Choice Limited provides mortgage broking services in Australia. It operates through Mortgage Choice Franchised Mortgage Broking, Help Me Choose Health Fund and Mortgage Comparison Website, and Mortgage Choice Financial Planning segments. The company provides assistance in determining the borrowing capacities of borrowers; assessment of a range of home loans and other products; and submission of loan applications on behalf of borrowers. It also operates HelpMeChoose.com.au, a comparison Website for home loan, health insurance, and life insurance products; and provides financial planning and business lending services. In addition, the company offers home building and contents, car, landlord, mortgage and income protection, and lenders mortgage insurance products. Mortgage Choice Limited was founded in 1992 and is headquartered in North Sydney, Australia.
FSA Group Limited	FSA Group Limited, together with its subsidiaries, engages in the provision of debt solutions and direct lending services to individuals and businesses in Australia. The company's Services segment offers informal arrangement, debt agreement, personal insolvency agreement, bankruptcy, and easy bill pay services. Its Consumer Lending segment is involved in the home loan lending and broking, and personal loan lending activities. The company's Business Lending segment provides factoring finance and other related services. FSA Group Limited is headquartered in Sydney, Australia.
Pepper Group Limited	Pepper Group Limited operates as a residential mortgage and consumer lender, and loan servicer in Australia, New Zealand, Ireland, the United Kingdom, Spain, South Korea, Hong Kong, and China. It offers a range of lending products, including residential mortgages, auto and equipment finance, point of sale finance, personal loans, and SME lending services. The company also provides loan servicing for its own-originated loans, as well as for third party originated loans, including residential mortgages, consumer unsecured and secured loans, and commercial real estate backed loans. In addition, it offers real estate investment advisory services, including integrated property and capital solutions for corporations, investors, and developers, as well as investment management services for third party funds; and debt purchase, hardship management, collections process consultation/strategy review, collections education, annual file reviews, and asset registration services. Pepper Group Limited was founded in 2000 and is headquartered in North Sydney, Australia.

Source: S&P CapitalIQ

Appendix D – Target company descriptions

Target Company	Description
Pepper Group Limited	Pepper Group Limited operates as a residential mortgage and consumer lender, and loan servicer in Australia, New Zealand, Ireland, the United Kingdom, Spain, South Korea, Hong Kong, and China.
Australian Finance Group Ltd	Australian Finance Group Ltd. provides mortgage broking services in Australia. The company offers residential and commercial mortgages; AFG-branded and securitized products; and other financial products. Australian Finance Group Ltd. was formerly known as Australian Finance Group Pty Ltd. The company was founded in 1994 and is headquartered in West Perth, Australia.
Resi Mortgage Corporation Pty Ltd	Resi Mortgage Corporation Pty Ltd. is a non-bank lender in Australia. It specializes in home loans, commercial loans, home and contents insurance, investment property loans, deposit power guarantee loans, self managed super fund loans, National Rental Affordability Scheme loans, car loans, and personal finance. The company also provides informed recommendations on various areas, such as superannuation and rollover advice; retirement planning and income strategies; wealth accumulation; investment strategies; portfolio construction and administration; managing redundancy; education funding strategies; estate planning; life, TPD, and income protection insurance; taxation services; and self managed super funds. It serves first/next home buyers and property investors, as well as clients looking to refinance. Resi Mortgage Corporation Pty Ltd. also provides franchise options. The company was founded in 2000 and is based in Broadway, Australia. As of August 29, 2014, Resi Mortgage Corporation Pty Ltd operates as a subsidiary of Yellow Brick Road Holdings Limited.
Vow Financial Pty Ltd	Vow Financial Pty Ltd operates as mortgage aggregator for professional mortgage and home loan brokers and groups in Australia. The company represents mortgage and finance brokers with loans under management. The company offers Vow Academy, an education and training program; assists in commercial lending assessment and application; and operates a technology platform for brokers. It also provides services in the areas of new and used cars; vehicle and equipment finance solutions; wealth management; and legal services, such as conveyancing and property law, business and corporate law, wills and estate planning, family law, self-managed super funds, banking and securities, and other legal services. Vow Financial Pty Ltd was formerly known as National Brokers Group Pty Limited and changed its name to Vow Financial Pty Ltd in February, 2010. The company was founded in 1995 and is based in Sydney, Australia. As of August 29, 2014, Vow Financial Pty Ltd operates as a subsidiary of Yellow Brick Road Holdings Limited.
RHG Ltd, Mortgage Portfolio	RHG Limited is engaged in funding and servicing of residential home loans in Australia. The company was formerly known as RAMS Home Loans Group Limited and changed its name to RHG Limited in January 2008. RHG Limited was incorporated in 1992 and is based in Sydney, Australia. As of January 8, 2014, RHG Limited was taken private.

Source: S&P CapitalIQ

Grant Thornton
An instinct for growth™

Appendix E – Glossary

$ or A$	Australian dollar
ASIC	Australian Securities Investment Commission
ADIs	Authorised Deposit-taking Institutions
ASX	Australia Stock Exchange
Barnes	Barnes Mortgage Management Pty Ltd
B2B	Business-to-business
CAGR	Cumulative Annual Growth Rate
CAPM	Capital Asset Pricing Model
Consideration	285,439,479 new ordinary shares in HOM
DCF	Discounted Cash Flow
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EV	Enterprise Value
FY	Financial year
FY16 Dividend	HOM's final dividend of 2 cents per share
Grant Thornton Corporate Finance or GTCF	Grant Thornton Corporate Finance Pty Ltd
HOM or the Company	Homeloans Limited
Industry	Residential mortgage services and lending industry in Australia
LBV	Loan book value
LMI	Lenders Mortgage Insurance
LUA	Loans Under Administration
LUM	Loans Under Management
Merged Group	Amalgamation of HOM and RESIMAC pursuant to the implementation of the SIA
Merger Model	Model generated by RESIMAC and HOM for the purpose of the Proposed Transaction
Model	GTCF financial model on the operating business of HOM
Non-ADIs	Securitisers and other non-traditional lenders
NIM	Net interest margin
NPAT	Net profit After Tax
Proposed Transaction	The issue of the Consideration to RESIMAC shareholders
Projections	Equity cash flow forecasts underlying the Merger Model for RESIMAC and HOM
RESIMAC	RESIMAC Limited
RMBS	Residential Mortgage-backed Security
RMT	Residential Mortgage Trust
WBC	Westpac Banking Corporation
RG111	Regulatory Guide 111 Contents of expert reports
RG112	Regulatory Guide 112 Independence of experts
RG74	Regulatory Guide 74 Acquisition agreed to by shareholders
RHG Portfolio	RHG Limited's loan portfolio acquired by RESIMAC
Somers	Somers Limited
Somers Option	Somers is granted the right to acquire all 17,572,015 (or 79.0%) shares in RESIMAC held by Ingot.
SPV	Special Purpose Vehicle
SIA	Scheme Implementation Agreement
VWAP	Volume Weighted Average Price
WACC	Weighted average cost of capital

CLAYTON UTZ

Execution Version

Scheme implementation agreement

Resimac Limited
Resimac

Homeloans Limited
Homeloans

Clayton Utz
Lawyers
Level 15 1 Bligh Street
Sydney NSW 2000
GPO Box 9806
Sydney NSW 2001
Tel +61 2 9353 4000
Fax +61 2 8220 6700

www.claytonutz.com
Our reference 13530/14604/80170457

Contents

1. Definitions and interpretation 1

1.1 Definitions 1
1.2 Best and reasonable endeavours 15
1.3 Business Day 15
1.4 Interpretation 15

2. Obligations in relation to Transaction 16

2.1 Resimac to propose Scheme 16
2.2 Homeloans to convene Homeloans Shareholder Meeting 16
2.3 Resimac and Homeloans to implement Scheme and the Transaction 16

3. Conditions precedent 16

3.1 Conditions 16
3.2 General obligations in relation to Conditions 19
3.3 Obligations in relation to Regulatory Conditions 19
3.4 Notice in relation to satisfaction of Conditions 20
3.5 Consultation on Conditions 20
3.6 Waiver of Conditions 21
3.7 Failure of Conditions 21
3.8 Discretion of the Court 22
3.9 Interpretation 22

4. Implementation obligations 22

4.1 Resimac's obligations 22
4.2 Homeloans' obligations 25
4.3 Homeloans Shareholder Meeting - Homeloans' obligations 26
4.4 Homeloans Shareholder Meeting - Resimac's obligations 28
4.5 Dispute as to disclosure documents 29
4.6 Homeloans Scheme Book Information 29
4.7 Resimac NOM Information 29
4.8 Scheme Book responsibility statement 30
4.9 Homeloans Notice of Meeting responsibility statement 30
4.10 Composition of the board of the Merged Group 30

5. Scheme Consideration 31

5.1 Consideration 31
5.2 Fractional entitlements and share splitting or division 31
5.3 Homeloans Shares 31

6. Conduct of Resimac's business 32

6.1 Provision of information about Resimac 32
6.2 Undertaking 32
6.3 Resimac Call Options 32
6.4 Exceptions 32

7. Conduct of Homeloans' business 33

7.1 Access to Homeloans business 33
7.2 Undertaking 33
7.3 Homeloans FY16 Dividend 33
7.4 Homeloans Performance Rights 34
7.5 Exceptions 34

8. Recommendation, intentions and announcements 34

8.1 Resimac Board Recommendation and Voting Intention 34
8.2 Resimac confirmation 34
8.3 Homeloans Board Recommendation and Voting Intention 35
8.4 Homeloans Confirmation 35
8.5 Announcement 35

9. Exclusivity arrangements 35

9.1 Ceased discussions 35
9.2 No shop 36
9.3 No talk and no due diligence 36
9.4 Notice of Alternative Homeloans Proposal 36
9.5 Provision of information 36
9.6 Resimac's right of last offer 37
9.7 Legal advice 37

10. Resimac Break Fee 37

10.1 Payment of costs 37
10.2 Resimac Break Fee payable 38
10.3 Resimac Break Fee not payable 39
10.4 Compliance with law 39
10.5 Other claims 39

11. Homeloans Break Fee 40

11.1 Payment of costs 40
11.2 Homeloans Break Fee payable 40
11.3 Homeloans Break Fee not payable 41
11.4 Compliance with law 41
11.5 Other claims 42

12. Liability of directors and employees 42

12.1 Liability of directors and employees 42
12.2 Directors' and officers' insurance 42
12.3 Obligations in relation to directors' and officers' insurance 43
12.4 Directors' and officers' indemnities 43
12.5 Benefit 43

13. Representations, warranties and indemnities 43

13.1 Representations and warranties by Homeloans 43
13.2 Qualification of Homeloans Warranties 46
13.3 Homeloans indemnity 46
13.4 Representations and warranties by Resimac 46
13.5 Qualification of Resimac Warranties 49
13.6 Resimac indemnity 49
13.7 No representation or reliance 49
13.8 Status of representations and warranties 49
13.9 Status and enforcement of indemnities 50
13.10 Limitation on claims 50

14. Confidentiality and communications 50

14.1 Confidentiality Deed 50
14.2 Survival of obligations 50
14.3 Disclosure on termination of agreement 50

15. Court proceedings 50

15.1 Appeal process 50
15.2 Defence of proceedings 51
15.3 Costs 51

16. Termination 51

16.1 Limited termination rights 51
16.2 Termination after Termination Event 51
16.3 Termination Events 52
16.4 Effect of termination 52

17. Notices 53

17.1 How notice to be given 53
17.2 When notice taken to be received 53

18. GST 54

18.1 Interpretation 54
18.2 Reimbursements and similar payments 54
18.3 GST payable 54
19. Entire agreement 55
20. General 55
20.1 Amendments 55
20.2 Assignment 55
20.3 Consents 55
20.4 Costs 55
20.5 Counterparts 55
20.6 Further acts and documents 55
20.7 Remedies 56
20.8 No merger 56
20.9 Severance 56
20.10 Stamp duties 56
20.11 Waivers 56
21. Governing law, jurisdiction and service of process 56
21.1 Governing law 56
21.2 Jurisdiction 57
Schedule 1 Indicative Timetable 58
Annexure A Scheme 60
Annexure B Deed Poll 61
Annexure C Escrow Deed 62

CLAYTON UTZ

Scheme implementation agreement

Dated 20 July 2016

Parties **Resimac Limited ACN 002 997 935** of Level 9, 45 Clarence Street Sydney NSW 2000 (**Resimac**)

Homeloans Limited ACN 095 034 003 of Level 5, 50 St Georges Terrace, Perth WA 6000 (**Homeloans**)

Background

A. As part of the proposed merger of the businesses of Resimac and Homeloans, Homeloans proposes that it will acquire all of the Resimac Shares pursuant to a scheme of arrangement under section 411 of the Corporations Act between Resimac and the holders of Resimac Shares, and Scheme Shareholders will be issued new Homeloans Shares as Scheme Consideration.

B. The Scheme is subject to satisfaction or waiver of the Conditions, including the approval by Homeloans Shareholders of the issue of the new Homeloans Shares to Scheme Shareholders.

C. Resimac has agreed to propose the Scheme and issue the Scheme Book, and Homeloans has agreed to convene the Homeloans Shareholder Meeting.

D. Resimac and Homeloans have agreed to implement the Scheme and the Transaction on the terms and conditions of this agreement.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this agreement:

Accounting Standards means:

(a) accounting standards as that term is defined in the Corporations Act;

(b) the requirements of the Corporations Act in relation to the preparation and content of financial reports; and

(c) if and to the extent that any matter is not covered by the accounting standards or requirements referred to in paragraphs (a) or (b), other relevant accounting standards and generally accepted accounting principles applied from time to time in Australia for a business similar to that conducted by the relevant entity as at the date of this agreement.

Alternative Homeloans Proposal means a proposed transaction or arrangement (whether by way of takeover, share acquisition, scheme of arrangement, capital reconstruction, acquisition of assets or otherwise) under which a person other than Resimac, the Scheme Shareholders or any of their Related Bodies Corporate could, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms:

(a) acquire Control of, or otherwise merge or amalgamate with, the Homeloans Group;

(b) acquire, whether alone or together with its Associates, a Relevant Interest in any shares of Homeloans, as a result of which the Third Party, together with any Associates, will have:

(i) if those persons did not have Relevant Interests in 15% or more of the shares in Homeloans in aggregate immediately prior to the Alternative Homeloans Proposal, Relevant Interests in 15% or more of the shares in Homeloans in aggregate; or

(ii) if those persons already had Relevant Interests in 15% or more of the shares in Homeloans in aggregate immediately prior to the Alternative Homeloans Proposal, Relevant Interests in not less than 3% more of the shares in Homeloans in aggregate than they had immediately prior to the Alternative Homeloans Proposal; or

(c) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in all or a substantial part of the business, assets or undertaking of the Homeloans Group.

Alternative Resimac Proposal means a proposed transaction or arrangement (whether by way of takeover, share acquisition, scheme of arrangement, capital reconstruction, acquisition of assets or otherwise) under which a person other than Homeloans or any of its Related Bodies Corporate would, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms:

(a) acquire Control of, or otherwise merge or amalgamate with, the Resimac Group; or

(b) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in all or a substantially all of the business, assets or undertaking of the Resimac Group.

Announcement means an announcement by the parties in the form agreed between the parties prior to signing of this agreement or as otherwise agreed in writing.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Authorisation means any licence, consent, approval, permit, registration, accreditation, certification or other authorisation given or issued by any Regulatory Authority or any other person.

Beneficiary means a present or former director or officer of the Resimac Group in respect of whom the Policy applies.

Board Composition Resolution means a resolution for the purposes of Article 13.3 of the constitution of Homeloans to appoint the persons to the Homeloans Board referred to in clause 4.10(a)(iii) and 4.10(b) (to the extent those independent directors are identified and agreed in time to be included in the Board Composition Resolution).

Business Day means a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Sydney and Melbourne.

Call Options means the call option deeds entered into by Resimac in relation to Homeloans Shares on or about the date of this agreement.

Condition means each condition specified in clause 3.1.

Confidentiality Deed means the Confidentiality, Standstill and Exclusivity Deed between Homeloans and Resimac dated on or about 6 January 2016.

Control has the meaning given in the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Federal Court, New South Wales Registry, or such other court of competent jurisdiction as Resimac and Homeloans agree in writing.

Claim means any claim, demand or cause of action however arising in relation to:

(a) any provision of a Transaction Document; or

(b) the Scheme or Transaction.

Deed Poll means a deed poll to be executed by Homeloans in favour of the Scheme Shareholders, substantially in the form set out in Annexure B or in such other form as Resimac and Homeloans agree in writing.

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement or contractual right of set-off, whether registered or unregistered, including any Security Interest, but in all cases excludes a Permitted Encumbrance.

End Date means the later to occur of:

(a) 31 January 2017; and

(b) such other date agreed in writing between Resimac and Homeloans.

Escrow Deed means the escrow deed set out in Annexure C.

Escrow Shares means any Homeloans Shares issued upon the vesting of any Homeloans Performance Rights on issue as at the date of this agreement other than those Homeloans Performance Rights which:

(a) were issued as part of the 2015 short term incentive tranche vesting on 1 September 2016: and

(b) are not held by Scott McWilliam or Ian Parkes.

Exclusivity Period means the period commencing on the date of this agreement and ending on the earliest of:

(a) the End Date;

(b) the date this agreement is terminated in accordance with its terms; and

(c) the Implementation Date.

Fairly Disclosed means disclosed in sufficient detail so as to enable a reasonable and sophisticated buyer or seller (or one of its Representatives) experienced in transactions similar

to the Transaction and experienced in a business similar to any business conducted by the Resimac Group or Homeloans Group, to identify the nature and scope of the relevant matter, event or circumstance.

FATA means the *Foreign Acquisitions and Takeovers Act* 1975 (Cth).

First Court Date means the first day of the hearing of an application made to the Court for an order pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Homeloans FY16 Dividend means a dividend being a cash amount not exceeding $0.02 per Homeloans Share (which may be franked to the extent franking credits are available).

Homeloans Board means the board of directors of Homeloans.

Homeloans Break Fee means $1,000,000.

Homeloans Data Room means the virtual data room established by Homeloans for the purpose of the Transaction and operated by ansarada.

Homeloans Director means a director of Homeloans.

Homeloans Due Diligence Materials means the information disclosed by or on behalf of the Homeloans Group, including:

(a) in the Homeloans Data Room;

(b) in management presentations and interviews and management discussions with directors and employees of Resimac;

(c) in responses to requests for information; and

(d) in written correspondence with Resimac's advisers,

to Resimac and its Representatives prior to the date of this agreement.

Homeloans Group means Homeloans and each of its Subsidiaries.

Homeloans Indemnified Parties means the Homeloans Group and their respective past, present and future, directors, officers and employees.

Homeloans Leadership Team means Scott McWilliam and Ian Parkes.

Homeloans Long Term Incentive Plan means the long term incentive plan rules disclosed in folder 06.02 of the Homeloans Data Room in respect of the Homeloans Group.

Homeloans Material Adverse Change means an event, matter, or circumstance which individually or when aggregated with other such events, matters, or circumstances has had, or could reasonably be expected to have the effect of:

(a) diminishing the value of the consolidated net assets of the Homeloans Group (calculated in accordance with the accounting policies and practices applied by Homeloans as at the date of this agreement) by more than 10% compared with the consolidated net assets reported as at 30 June 2015;

(b) diminishing the annual consolidated PBT of the Homeloans Group (calculated in accordance with the accounting policies and practices applied by Homeloans as at the date of this agreement) on a recurring basis by more than $1,000,000 in each financial year; or

(c) without limiting paragraphs (a) and (b), otherwise materially adversely affecting the business, assets, financial condition, results, operations, reputation or prospects of the Homeloans Group (as a whole),

other than an event, matter or circumstance, to the extent that it:

(d) is required in respect of the Transaction or is contemplated by the Transaction Documents (including any transaction costs incurred by the Homeloans Group);

(e) occurs with Resimac's prior written consent (not to be unreasonably withheld or delayed);

(f) results from a change in the accounting policies or practices applied by Homeloans as required by law or applicable Accounting Standards;

(g) results from a change to legislation or regulation, including in relation to Tax; or

(h) arises from a change in national or international political, financial or economic conditions, including a disruption to the existing financial markets or economic conditions of Australia, the United Kingdom or the United States of America, or a change in interest or foreign currency exchange rates.

Homeloans NOM Information means all information included in the Homeloans Notice of Meeting, other than the Resimac NOM Information and the Independent Expert's Report.

Homeloans Notice of Meeting means the notice of meeting, explanatory statement and proxy form in relation to the Homeloans Shareholder Meeting and the Homeloans Shareholder Resolutions.

Homeloans Performance Right means a right granted under an Homeloans Long Term Incentive Plan to acquire a Homeloans Share subject to the terms of such plan.

Homeloans Prescribed Occurrence means the occurrence of, or agreement to do, any of the following events:

(a) (**Conversion**) Homeloans converts all or any of its securities into a larger or smaller number of securities;

(b) (**Reduction of Capital**) Homeloans or another member of the Homeloans Group (other than a wholly-owned Subsidiary of Homeloans) resolves to reduce its capital in any way or resolves to re-classify, combine, split, redeem or re-purchase directly or indirectly any of its shares;

(c) (**Buy-back**) Homeloans or another member of the Homeloans Group (other than a wholly-owned Subsidiary of Homeloans):

(i) enters into a buy-back agreement under the Corporations Act; or

(ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;

(d) (**Issuing or granting securities or options**) any member of the Homeloans Group issues shares, or grants an option over its shares or agrees to make such an issue or grant such an option other than the issue of Homeloans Shares in satisfaction of Homeloans Performance Rights granted before the date of this agreement (provided that the issue of any Escrow Shares is conditional upon the holder of those Escrow Shares first executing an Escrow Deed) or an issue to Homeloans or a wholly-owned Subsidiary of Homeloans;

(e) (**Securities or other instruments**) any member of the Homeloans Group issues, or agrees to issue, convertible notes or any other security convertible into shares other than to Homeloans or a wholly-owned Subsidiary of Homeloans;

(f) (**Distribution**) any member of the Homeloans Group agrees to pay, declares or pays a dividend or any other form of distribution of profits or return of capital to its members, other than to Homeloans or a wholly-owned Subsidiary of Homeloans or the Homeloans FY16 Dividend provided that:

(i) it is not declared or determined until the earlier of the Effective Date and 31 October 2016; and

(ii) there has not at that time been any breach of clause 13.1(g).

(g) (**Encumbrances**) any member of the Homeloans Group creates any material Encumbrance over the whole, or a substantial part, of the business or property of the Homeloans Group other than in the ordinary course of business;

(h) (**Insolvency Event**) an Insolvency Event occurs in relation to any member of the Homeloans Group;

(i) (**Acquisitions and disposals**) any member of the Homeloans Group acquires or disposes of, or agrees to acquire or dispose of, any assets, business or shares, whether in one or a number of such related transactions, for an aggregate amount for all related transactions exceeding $500,000, other than in the ordinary course of business;

(j) (**Contracts and commitments**) any member of the Homeloans Group enters into any new contract or commitment, or a number of related such contracts or commitments, involving expenditure by or liability or indebtedness on the Homeloans Group of an amount of more than $500,000 over the term of the relevant contracts or commitments, excluding any loans or mortgages entered into in the ordinary course of business of the Resimac Group;

(k) (**Employee plans**) any member of the Homeloans Group enters into, varies, terminates or accelerates any rights under, any employee incentive or benefit plan or program (including as a result of the Homeloans Board exercising any discretion but excluding any acceleration of the vesting or exercise of the Homeloans Performance Rights in connection with the Transaction provided that the issue of any Escrow Shares is conditional upon the holder of those Escrow Shares first executing an Escrow Deed);

other than, in each case, an event, occurrence, change or matter to the extent that it:

(l) is required in respect of the Transaction or is contemplated by the Transaction Documents (including any transaction costs incurred by the Homeloans Group);

(m) occurs with Resimac's prior written consent (not to be unreasonably withheld or delayed);

(n) results from a change, announced after the date of this agreement, in the accounting policies or practices applied by Homeloans as required by law or applicable Accounting Standards; or

(o) results from a change, announced after the date of this agreement, to legislation or regulation, including in relation to Tax.

Homeloans Recommendation has the meaning given in clause 8.3(a)(i).

Homeloans Scheme Book Information means:

(a) all information regarding Homeloans and its Related Bodies Corporate that is required by the Corporations Act and the Regulatory Guides to be included in the Scheme Book including all the information that would be required under sections 636(1)(c), (f), (g), (h), (i), (k), (l) and (m) of the Corporations Act to be included in a Homeloans' statement if Homeloans were offering the Scheme Consideration as consideration under a takeover bid;

(b) the information to be incorporated in the Scheme Book with respect to the Merged Group, including pro forma financial information except to the extent that it comprises information provided by Resimac to Homeloans for the purposes of Homeloans preparing the information with respect to the Merged Group; and

(c) any other information that the parties agree is Homeloans Scheme Book Information for the purposes of this agreement,

but does not include the any information specifically provided by Resimac to Homeloans for the purpose of including in the Homeloans Scheme Book Information and the Independent Expert's Report.

Homeloans Share means fully paid ordinary shares in the capital of Homeloans.

Homeloans Share Register means the register of members of Homeloans maintained by or on behalf of Homeloans in accordance with section 168(1) of the Corporations Act.

Homeloans Shareholder means a person who is registered in the Homeloans Share Register as a holder of Homeloans Shares.

Homeloans Shareholder Meeting means the general meeting of Homeloans Shareholders to be convened by Homeloans to consider and, if thought fit, pass the Homeloans Shareholder Resolutions, on and subject to the terms and conditions of this agreement.

Homeloans Shareholder Resolutions means the following resolutions to be put at the Homeloans Shareholder Meeting:

(a) an ordinary resolution approving, for the purposes of section 611(7) of the Corporations Act, the issuance by the Homeloans of the Scheme Consideration to the Scheme Shareholders pursuant to the Scheme, and the acquisition by any person of a Relevant Interest in Homeloans Shares as a consequence of Ingot Capital Management Pty Ltd being issued with Homeloans Shares pursuant to the Scheme;

(b) the Listing Rules Resolution (to the extent required by ASX only); and

(c) the Board Composition Resolution.

Homeloans Third Party Consents means the third party consents and notifications which the parties agree in writing are "Homeloans Third Party Consents" on or about the date of this agreement.

Homeloans Voting Intention has the meaning given in clause 8.3(a)(ii).

Homeloans Warranties means the warranties made by Homeloans set out in clause 13.1.

Implementation Date means the date which is 3 Business Days after the Record Date or such other date as Resimac and Homeloans agree in writing.

Indemnified Loss means, in relation to any fact, matter or circumstance, all losses, costs, damages, expenses and other liabilities arising out of or in connection with that fact, matter or circumstance including all reasonable legal and other professional expenses on a solicitor-client basis incurred in connection with investigating, disputing, defending or settling

any claim, action, demand or proceeding relating to that fact, matter or circumstance (including any claim, action, demand or proceeding based on the terms of this agreement).

Independent Expert means the independent expert to be engaged by Homeloans to express an opinion on whether the Transaction is fair and reasonable to the Homeloans Shareholders.

Independent Expert's Report means the report from the Independent Expert in respect of the Transaction.

Insolvency Event means in relation to an entity:

(a) a controller (as defined in section 9 of the Corporations Act), trustee, receiver, or a receiver and manager, being appointed in relation to the entity, or a substantial part, of the property of the entity;

(b) a liquidator, provisional liquidator, administrator or similar officer of the entity being appointed;

(c) any application (not withdrawn, dismissed or set aside within 14 days) to a court for an order, an order is made, a meeting is convened or a resolution is passed for the purpose of:

(i) appointing a person referred to in paragraphs (a) to (b) (inclusive) of this definition;

(ii) winding up, dissolving or deregistering the entity;

(iii) proposing or implementing a scheme of arrangement with its creditors or any class of them, or a compromise or other arrangement with its creditors or any class of them;

(d) the entity being or becoming unable to pay its debts as and when they fall due;

(e) the entity ceasing, or threatening to cease to, carry on the business that it conducts as at the date of this agreement; or

(f) anything analogous referred to in paragraphs (a) to (e) (inclusive) of this definition, or which has a substantially similar effect, occurs with respect to a person under any law including, without limitation, Chapters 7 and 11 of the United States Bankruptcy Code of 1978, as amended, or any similar United States federal or state law for the relief of debtors, any other bankruptcy, insolvency liquidation or similar laws of general application.

In The Best Interests means, in respect of the conclusion of the Independent Expert in relation to the Transaction, a conclusion that the Transaction is:

(a) fair and reasonable to Homeloans Shareholders;

(b) not fair but reasonable to Homeloans Shareholders; or

(c) in the best interests of Homeloans Shareholders.

Listing Rules means the official listing rules of the ASX.

Listing Rules Resolution means an ordinary resolution of Homeloans Shareholders approving, for the purposes of Listing Rule 11 and for all other purposes, the acquisition of the Scheme Shares by Homeloans, and the issuance by Homeloans of the Scheme Consideration to, and the acquisition of the Scheme Consideration by, the Scheme Shareholders, as part of the Transaction.

Merged Group means the group comprising of the combination of the Homeloans Group and Resimac Group following implementation of the Transaction.

PBT means consolidated profit before tax, excluding, in the case of Homeloans, any impact from a change in assumptions or methodology in relation to the valuation of future trailing commissions receivable and payable and, adjusted in the case of both Resimac and Homeloans, to exclude the impact of one-off or non-recurring items (and to exclude, in the case of Resimac, the impact of mark-to-market accounting treatment of derivative positions).

Permitted Encumbrance means:

(a) any netting or set-off arrangement entered into by any member of the Resimac Group or the Homeloans Group (as applicable) in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Resimac Group or the Homeloans Group (as applicable);

(b) any lien arising by operation of law or in favour of a Regulatory Authority and in the ordinary course of trading so long as the debt it secures is paid when due or contested in good faith and appropriately provisioned;

(c) any repairers', mechanics', workmens', bankers', solicitors' or other like lien arising in the ordinary course of business;

(d) any Encumbrance granted under any title retention arrangement or any hire purchase or conditional sale arrangements or any similar arrangement entered into by any member of the Resimac Group or the Homeloans Group (as applicable) in the ordinary course of trading on the supplier's usual terms of sale (or on terms more favourable to the members of the Resimac Group or the Homeloans Group (as applicable)) so long as the debt it secures is paid when due or contested in good faith and sufficient reserves of liquid assets have been set aside to pay the debt if the contest is unsuccessful;

(e) any security interest of the kind referred to in s12(3) of the PPSA; or

(f) any Encumbrance, arrangement or transaction securing indebtedness the principal amount of which (when aggregated with the principal amount of any other indebtedness which has the benefit of Encumbrance, or any such arrangement or transaction, other than any permitted under paragraphs (a) to (f) above) does not exceed $1,000,000 in relation to the Resimac Group, or $500,000 in relation to the Homeloans Group (or the equivalent of those amounts in another currency or currencies).

Policy means the Resimac Group directors and officers insurance policy in effect at the date of this agreement.

Record Date means 5.00 pm (Sydney time) on the date which is 5 Business Days after the Effective Date or such other time and date agreed in writing between Homeloans and Resimac.

Regulator's Homeloans NOM Draft has the meaning given in clause 4.3(g).

Regulator's Scheme Book Draft has the meaning given in clause 4.1(e).

Regulatory Authority means:

(a) any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and

(b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange,

and includes ASX, ASIC and Australia's Foreign Investment Review Board.

Regulatory Condition means each of the Conditions in clause 3.1(a) and clause 3.1(b).

Regulatory Guides means all regulatory guides published by ASIC and in force at the date of this agreement.

Regulatory Review Period means:

(a) in relation to the Scheme Book, the period from the date on which Resimac provides the Regulator's Scheme Book Draft to ASIC in accordance with clause 4.1(e) to the date on which ASIC provides a letter indicating whether or not it proposes to appear to make submissions, or will intervene to oppose the Scheme, when the application made to the Court for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard; and

(b) in relation to the Homeloans Notice of Meeting, the period from the date on which Homeloans provides the Regulator's Homeloans NOM Draft to ASIC or ASX (as applicable) in accordance with clause 4.3(g) to the date on which ASIC or ASX (as applicable) confirms it has no comments, or no further comments, on the Homeloans Notice of Meeting.

Related Body Corporate of a corporation means a related body corporate of that corporation within the meaning of section 50 of the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

Representatives means, in relation to a party, all officers, employees, professional advisers and agents of the party or of its Related Bodies Corporate.

Resimac Board means the board of directors of Resimac.

Resimac Break Fee means $1,000,000.

Resimac Data Room means the virtual data room established by Resimac for the purpose of the Transaction and operated by ansarada.

Resimac Director means a director of Resimac.

Resimac Due Diligence Materials means the information disclosed by or on behalf of the Resimac Group, including:

(a) in the Resimac Data Room;

(b) in management presentations and interviews and management discussions with directors and employees of Homeloans;

(c) in responses to requests for information; and

(d) in written correspondence with Homeloans' advisers,

to Homeloans and its Representatives prior to the date of this agreement.

Resimac Group means Resimac and each of its Subsidiaries.

Resimac Group Long Term Incentive Plan means the long term incentive plan rules contained in Resimac Data Room document 09.04 in respect of the Resimac Group.

Resimac Indemnified Parties means the Resimac Group and their respective past, present and future, directors, officers and employees.

Resimac Leadership Team means Mary Ploughman, Warren McLeland and Neal Hawkins.

Resimac Material Adverse Change means an event, matter, or circumstance which individually or when aggregated with other such events, matters, or circumstances has had, or could reasonably be expected to have the effect of:

(a) diminishing the value of the consolidated net assets of the Resimac Group (excluding the Resimac SPVs) (calculated in accordance with the accounting policies and practices applied by Resimac as at the date of this agreement) by more than 10% compared with the consolidated net assets reported as at 30 June 2015;

(b) diminishing the annual consolidated PBT of the Resimac Group (excluding the Resimac SPVs) (calculated in accordance with the accounting policies and practices applied by Resimac as at the date of this agreement) on an recurring basis by more than $3,000,000 in each financial year; or

(c) without limiting paragraphs (a) and (b), otherwise materially adversely affecting the business, assets, financial condition, results, operations, reputation or prospects of the Resimac Group (excluding the Resimac SPVs) (as a whole),

other than an event, matter or circumstance, to the extent that it:

(d) is required in respect of the Transaction or is contemplated by the Transaction Documents (including any transaction costs incurred by the Resimac Group) or arises in connection with the entry into, or the exercise of, any Call Option;

(e) occurs with Homeloans' prior written consent (not to be unreasonably withheld or delayed);

(f) results from a change in the accounting policies or practices applied by Resimac as required by law or applicable Accounting Standards;

(g) results from a change to legislation or regulation, including in relation to Tax; or

(h) arises from a change in national or international political, financial or economic conditions, including a disruption to the existing financial markets or economic conditions of Australia, the United Kingdom or the United States of America or a change in interest or foreign currency exchange rates.

Resimac NOM Information means:

(a) all information regarding Resimac and its Related Bodies Corporate that is required by the Corporations Act and the Regulatory Guides to be included in the Homeloans Notice of Meeting; and

(b) information provided by Resimac to Homeloans for the purposes of Homeloans preparing the information to be incorporated in the Notice of Meeting with respect to the Merged Group, including pro forma financial information; and

(c) any other information that the parties agree in writing is Resimac NOM Information for the purposes of this agreement

but does not include any information specifically provided by Homeloans to Resimac for the purpose of including in the Resimac NOM Information and the Independent Expert's Report.

Resimac Prescribed Occurrence means the occurrence of, or agreement to do, any of the following events:

(a) (**Conversion**) Resimac converts all or any of its securities into a larger or smaller number of securities;

(b) (**Reduction of Capital**) Resimac or another member of the Resimac Group (other than a wholly-owned Subsidiary of Resimac) resolves to reduce its capital in any way or resolves to re-classify, combine, split, redeem or re-purchase directly or indirectly any of its shares;

(c) (**Buy-back**) Resimac or another member of the Resimac Group (other than a wholly-owned Subsidiary of Resimac):

(i) enters into a buy-back agreement under the Corporations Act; or

(ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;

(d) (**Issuing or granting shares or options**) any member of the Resimac Group issues shares, or grants an option over its shares or agrees to make such an issue or grant such an option, other than to Resimac or a wholly-owned Subsidiary of Resimac;

(e) (**Securities or other instruments**) any member of the Resimac Group issues, or agrees to issue, convertible notes or any other security convertible into shares, other than to Resimac or a wholly-owned Subsidiary of Resimac;

(f) (**Encumbrances**) any member of the Resimac Group (other than a Resimac SPV) creates any material Encumbrance over the whole, or a substantial part, of the business or property of the Resimac Group (excluding the Resimac SPVs) other than in the ordinary course of business;

(g) (**Insolvency Event**) an Insolvency Event occurs in relation to any member of the Resimac Group (other than a Resimac SPV);

(h) (**Acquisitions and disposals**) any member of the Resimac Group (other than a Resimac SPV) acquires or disposes of, or agrees to acquire or dispose of, any assets, business or shares, whether in one or a number of such related transactions, for an aggregate amount for all related transactions exceeding $1,000,000 (other than an acquisition or disposal between any of Resimac and its wholly-owned Subsidiaries);

(i) (**Employee plans**) any member of the Resimac Group enters into, varies or terminates any employee incentive or benefit plan or program;

(j) (**Contracts and commitments**) any member of the Resimac Group (other than a Resimac SPV) enters into any new contract or commitment, or a number of related such contracts or commitments, outside the ordinary course of business and involving expenditure by or liability or indebtedness on the Resimac Group of an amount of more than $1,000,000 over the term of the relevant contracts or commitments, excluding any loans or mortgages entered into in the ordinary course of business of the Resimac Group;

(k) (**Distribution**) any member of the Resimac Group agrees to pay, declares or pays a dividend or any other form of distribution of profits or return of capital to its members, other than to Resimac or a wholly-owned Subsidiary of Resimac;

other than, in each case, an event, occurrence, change or matter to the extent that it:

(l) is required in respect of the Transaction or is contemplated by the Transaction Documents (including any transaction costs incurred by the Resimac Group) or arises in connection with the entry into, or the exercise of, any Call Option;

(m) occurs with Homeloans' prior written consent (not to be unreasonably withheld or delayed);

(n) results from a change, announced after the date of this agreement, in the accounting policies or practices applied by Resimac as required by law or applicable Accounting Standards; or

(o) results from a change, announced after the date of this agreement, to legislation or regulation, including in relation to Tax.

Resimac Recommendation has the meaning in clause 8.1(a)(i).

Resimac Scheme Book Information means all information included in the Scheme Book, other than the Homeloans Scheme Book Information and the Independent Expert's Report.

Resimac Shareholder means a person who is registered in the Resimac Share Register as a holder of Resimac Shares.

Resimac Shares means fully paid ordinary shares in the capital of Resimac.

Resimac Share Register means the register of members of Resimac maintained by or on behalf of Resimac in accordance with section 168(1) of the Corporations Act.

Resimac SPV means any other entity the sole purpose of which is to issue mortgage backed securities or asset backed securities (each as defined in the Duties Act 2001 (Qld)) and to carry on related activities (including acquiring assets and granting security over its assets) through transactions sponsored by Resimac (or a Subsidiary of Resimac).

Resimac Third Party Consents means the third party consents and notifications which the parties agree in writing are "Resimac Third Party Consents" on or about the date of this agreement.

Resimac Voting Intention has the meaning in clause 8.1(a)(ii).

Resimac Warranties means the warranties made by Resimac set out in clause 13.4.

Resimac Warranty Claim means any Claim by the Buyer arising out of a breach of a Warranty (including, for the avoidance of doubt, under clauses 13.4 and 13.6).

Revised Proposal has the meaning given to that term in clause 9.5.

Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between Resimac and the Scheme Shareholders substantially in the form set out in Annexure A or in such other form as Resimac and Homeloans agree in writing.

Scheme Book means the explanatory memorandum to be prepared by Resimac pursuant to section 412 of the Corporations Act in respect of the Scheme in accordance with the terms of this agreement and to be dispatched to the Resimac Shareholders.

Scheme Consideration means, subject to clause 5.2, for each Scheme Share held by a Scheme Shareholder at the Record Date, 12.84 new Homeloans Shares.

Scheme Meeting means the meeting of Resimac Shareholders to be convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act.

Scheme Resolutions means the resolutions required to approved the Scheme.

Scheme Share means a Resimac Share on issue as at the Record Date.

Scheme Shareholder means a person who holds Resimac Shares as at the Record Date.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Security Interest has the meaning given in sections 12(1) or 12(2) of the Personal Property Securities Act 2009 (Cth).

Subsidiary means a subsidiary within the meaning given to that term in the Corporations Act.

Superior Homeloans Proposal means a bona fide Alternative Homeloans Proposal involving the acquisition of existing Homeloans Shares by way of a takeover bid made under Chapter 6 of the Corporations Act or a scheme of arrangement between Homeloans and Homeloans Shareholders which in the reasonable determination of the Homeloans Board, acting in good faith, and after consulting with its external legal and financial advisors, would, if it is completed substantially in accordance with its terms, be more favourable to Homeloans Shareholders (as a whole) than the Transaction, having regard to all other terms of the Alternative Homeloans Proposal, including without limitation, conditionality and certainty of funding, and provided that an Alternative Homeloans Proposal cannot be a Superior Homeloans Proposal if it is subject to a due diligence or financing condition.

Superior Resimac Proposal means a bona fide Alternative Resimac Proposal involving the acquisition of existing Resimac Shares which in the reasonable determination of the Resimac Board, acting in good faith, and after consulting with its external legal and financial advisors, would, if it is completed substantially in accordance with its terms, be more favourable to Resimac Shareholders (as a whole) than the Transaction, having regard to all other terms of the Alternative Resimac Proposal, including without limitation, conditionality and certainty of funding, and provided that an Alternative Resimac Proposal cannot be a Superior Resimac Proposal if it is subject to a due diligence or financing condition.

Tax means any tax, levy, excise, duty, charge, surcharge, contribution, withholding tax (including royalty withholding tax), impost or withholding obligation of whatever nature, whether direct or indirect, (including any tax payable under a country's foreign source income attribution or anti-tax-deferral rules) by whatever method collected or recovered, together with any fees, penalties, fines, interest or statutory charges in any country or jurisdiction.

Third Party means a person other than Homeloans, Resimac or any Resimac Shareholder, or their respective Related Bodies Corporate.

Timetable means the indicative timetable in relation to the Scheme and the Transaction set out in Schedule 1, or such other indicative timetable as Resimac and Homeloans agree in writing.

Transaction means:

(a) the acquisition by Homeloans of the Scheme Shares for the Scheme Consideration; and

(b) the issue by Homeloans of the Scheme Consideration to, and the acquisition of an interest in the Scheme Consideration by, Scheme Shareholders,

pursuant to the Transaction Documents.

Transaction Documents means:

(a) this agreement;

(b) the Scheme; and

(c) the Deed Poll.

Treasurer means the Treasurer of the Commonwealth of Australia.

1.2 Best and reasonable endeavours

Any provision of this agreement which requires a party to use best endeavours or all reasonable endeavours to procure that something is performed or occurs or does not occur does not include any obligation:

(a) to pay any money or to provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person except for payment of any applicable fee for the lodgement or filing of any relevant application with any Regulatory Authority; or

(b) to commence any legal action or proceeding against any person,

except where that provision expressly specifies otherwise.

1.3 Business Day

If the day on which any act to be done under this agreement is a day other than a Business Day, that act must be done on the following Business Day except where this agreement expressly specifies otherwise.

1.4 Interpretation

In this agreement headings are for convenience only and do not affect interpretation and, unless the contrary intention appears:

(a) a word importing the singular includes the plural and vice versa, and a word of any gender includes the corresponding words of any other gender;

(b) the word **including** or any other form of that word is not a word of limitation;

(c) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;

(d) a reference to a **person** includes an individual, the estate of an individual, a corporation, an authority, an association or parties in a joint venture, a partnership and a trust;

(e) a reference to a party includes that party's executors, administrators, successors and permitted assigns, including persons taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;

(f) a reference to a document (including this agreement) is to that document as varied, novated, ratified or replaced from time to time;

(g) a reference to a party, clause, schedule, exhibit, attachment, or annexure is a reference to a party, clause, schedule, exhibit, attachment, or annexure to or of this agreement, and a reference to this agreement includes all schedules, exhibits, attachments, and annexures to it;

(h) a reference to an agency or body if that agency or body ceases to exist or is reconstituted, renamed or replaced or has its powers or function removed

(**obsolete body**), means the agency or body which performs most closely the functions of the obsolete body;

(i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;

(j) a reference to **$** or **dollar** is to Australian currency;

(k) if a word or phrase is not given a defined meaning in clause 1.1 but is defined in or for the purposes of the Corporations Act, it has the same meaning when used in this agreement;

(l) a reference to a date or time is to that date or time in Sydney, Australia; and

(m) this agreement must not be construed adversely to a party just because that party prepared it or caused it to be prepared.

2. Obligations in relation to Transaction

2.1 Resimac to propose Scheme

(a) Resimac agrees to propose the Scheme on and subject to the terms and conditions of this agreement.

(b) Homeloans agrees to assist Resimac to propose the Scheme on and subject to the terms and conditions of this agreement.

2.2 Homeloans to convene Homeloans Shareholder Meeting

(a) Homeloans agrees to convene the Homeloans Shareholder Meeting, and put the Homeloans Shareholder Resolutions to the Homeloans Shareholder Meeting, on and subject to the terms and conditions of this agreement.

(b) Resimac agrees to assist Homeloans to convene the Homeloans Shareholder Meeting, and put the Homeloans Shareholder Resolutions to the Homeloans Shareholder Meeting, on and subject to the terms and conditions of this agreement.

2.3 Resimac and Homeloans to implement Scheme and the Transaction

Resimac and Homeloans agree to implement the Scheme and the Transaction on and subject to the terms and conditions of this agreement.

3. Conditions precedent

3.1 Conditions

Subject to this clause 3, the Scheme will not become Effective, and the obligations of the parties under clause 4 are not binding, until each of the conditions listed in the first column of the following table are either satisfied or waived in accordance with clause 3.6:

Condition	Right to benefit & waive	Responsibility to satisfy
(a) (**ASIC and ASX consents**) before 8.00 am on the Second Court Date, ASIC and ASX issue or provide consents or approvals or do	Homeloans and Resimac	Homeloans and Resimac

Condition		Right to benefit & waive	Responsibility to satisfy
	such other acts which Homeloans and Resimac agree are reasonably necessary to implement the Scheme and the Transaction. If such consents, approvals or doing of other acts are subject to conditions those conditions must be acceptable to Homeloans and Resimac, acting reasonably;		
(b)	(**FIRB**) before 8.00 am on the Second Court Date, the Treasurer gives a no objection notification under the FATA in respect of all relevant actions required to implement the Scheme (including taking into account the Call Options) and the period during which those actions may be taken, as specified in the notification, have not elapsed, or the relevant periods specified in the FATA have elapsed such that the Treasurer is prohibited by section 77 of the FATA from making an order or decision in respect of the Scheme and implementation of the Scheme is not prohibited by section 82 of the FATA;	Homeloans and Resimac	Resimac
(c)	(**No restraint**) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction preventing the Transaction from being implemented is in effect as at 8.00 am on the Second Court Date;	Homeloans and Resimac	Homeloans and Resimac
(d)	(**Change in control - Resimac**) as at 8.00 am on the Second Court Date, all Resimac Third Party Consents have been obtained or provided (as applicable) in a form and subject to conditions acceptable to Homeloans, acting reasonably, and have not been withdrawn, cancelled or revoked;	Homeloans and Resimac	Resimac
(e)	(**Change in control - Homeloans**) as at 8.00 am on the Second Court Date, all Homeloans Third Party Consents have been obtained or provided (as applicable) in a form and subject to conditions acceptable to Resimac, acting reasonably, and have not been withdrawn, cancelled or revoked;	Resimac and Homeloans	Homeloans
(f)	(**No Resimac Material Adverse Change**) no Resimac Material Adverse Change occurs between the date of this agreement and 8:00 am on the Second Court Date, and which continues to exist as at 8.00 am on the Second Court Date;	Homeloans	Resimac
(g)	(**No Homeloans Material Adverse Change**) no Homeloans Material Adverse Change occurs, or becomes known to Resimac,	Resimac	Homeloans

Condition		Right to benefit & waive	Responsibility to satisfy
	between the date of this agreement and 8:00 am on the Second Court Date, and which continues to exist as at 8.00 am on the Second Court Date;		
(h)	(**No Resimac Prescribed Occurrence**) no Resimac Prescribed Occurrence occurs between the date of this agreement and 8.00 am on the Second Court Date, and which has not been remedied as at 8.00 am on the Second Court Date;	Homeloans	Resimac
(i)	(**No Homeloans Prescribed Occurrence**) no Homeloans Prescribed Occurrence occurs, or becomes known to Resimac, between the date of this agreement and 8.00 am on the Second Court Date, and which has not been remedied as at 8.00 am on the Second Court Date;	Resimac	Homeloans
(j)	(**Homeloans Shareholder approval**) before 8.00am on the Second Court Date, Homeloans Shareholders pass the Homeloans Shareholder Resolutions (other than the Board Composition Resolution) by the majorities required under section 611(7) of the Corporations Act and the other applicable provisions of the Homeloans constitution, the Corporations Act and the Listing Rules (as applicable);	None	Homeloans
(k)	(**Resimac Shareholder approval**) Resimac Shareholders approve the Scheme by the majorities required under section 411(4)(a)(ii) of the Corporations Act;	None	Resimac
(l)	(**Court approval**) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;	None	Homeloans and Resimac
(m)	(**Quotation of Homeloans Shares**) the Homeloans Shares to be issued to Scheme Shareholders pursuant to the Scheme have been approved for official quotation by ASX (any such approval may be subject to customary conditions and to the Scheme becoming Effective) before 8.00 am on the Second Court Date; and	Resimac	Homeloans
(n)	(**execution of Deed Poll**) before the date of sending the Scheme Book to relevant Resimac Shareholders, Homeloans validly signs, seals and delivers the Deed Poll.	Resimac	Homeloans

3.2 General obligations in relation to Conditions

Without prejudice to any other obligations of the parties under this agreement, in respect of any given Condition:

(a) if one party is specified in the third column of the table in clause 3.1 opposite that Condition, that party must use its best endeavours to procure that that Condition is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times up until the last time it is to be satisfied (as the case may require);

(b) other than in the case of the Condition in clause 3.1(c), if both parties are specified in the third column of a table in clause 3.1 opposite that Condition, both parties must, to the extent that it is within their respective control or influence, use their best endeavours to procure that that Condition is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times up until the last time it is to be satisfied (as the case may require);

(c) each party must, to the extent that it is within its respective control or influence, use its best endeavours to procure that there is no occurrence that would prevent the Condition being satisfied and no party shall take any action that will or is likely to hinder or prevent the satisfaction of the Condition except to the extent that such action is required to be done or procured pursuant to the Transaction Documents or is required by law; and

(d) if, prior to 8:00 am on the Second Court Date, an event occurs or is reasonably likely to occur, that may result in the Condition in clause 3.1(c) (*No restraints*) being incapable of satisfaction, Homeloans and Resimac must, to the extent that it is within their respective control or influence, use their best endeavours to procure that that Condition is satisfied as soon as practicable, as if clause 3.1(c) (*No restraints*) were a Regulatory Condition and the parties were subject to the requirements of clause 3.3 in relation to such Condition.

3.3 Obligations in relation to Regulatory Conditions

Without limiting clause 3.2, each party must in relation to the Regulatory Conditions:

(a) as soon as practicable prepare and, subject to clause 3.3(b)(i), lodge, each notice or application required to be given by that party for the purposes of procuring the satisfaction of the Regulatory Conditions (as applicable) and take all procedural steps it is responsible for as part of such approval process, including responding to requests for information at the earliest practicable time and use best endeavours to obtain such approvals as soon as practicable after the date of this agreement; and

(b) to the extent it is reasonable to do so:

(i) consult with the other party, in advance, in relation to all communications with any Regulatory Authority relating to any such regulatory approval (other than those of a purely mechanical or housekeeping type);

(ii) keep the other party informed of progress in relation to each such regulatory approval and of any material matters raised by, or conditions or other arrangements proposed by, or to, any Regulatory Authority which relate to any such regulatory approval; and

(iii) provide copies of all documents provided to and received from each relevant Regulatory Authority in relation to each such regulatory approval (including before the date of this agreement), on a confidential basis, to the other party,

provided that, in each case:

(c) the party applying for the approval may withhold or redact information or documents if and to the extent that they are confidential to a third party or commercially sensitive and confidential to the applicant;

(d) nothing in this clause 3.3 or any other provision of this agreement requires a party to disclose materially commercially sensitive information to the other party; and

(e) the party applying for the approval will not be prevented from taking procedural steps or communicating with or providing documents to a Regulatory Authority if the other party has not responded promptly under clause 3.3(b)(i).

The other party must provide the applicant for a regulatory approval with all assistance and information reasonably requested by the applicant in connection with the application for and obtaining the approval.

3.4 Notice in relation to satisfaction of Conditions

Each party must:

(a) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;

(b) in relation to any Condition, promptly notify the other party in writing upon becoming aware of the satisfaction of that Condition, in which case the notifying party must also provide reasonable evidence that the Condition has been satisfied;

(c) in relation to any Condition, immediately notify the other party in writing of a breach or non-fulfilment of a Condition or any occurrence or event that will result, or is reasonably likely to result, in a Condition becoming incapable of satisfaction; and

(d) upon receipt or delivery of a notice given under clause 3.4(c) (as applicable), where that party is entitled to waive that Condition, as soon as possible notify the other party in accordance with clause 3.6 as to whether the party waives the breach or non-fulfilment of the Condition resulting from the occurrence or event.

3.5 Consultation on Conditions

If:

(a) there occurs a breach or non-fulfilment of a Condition which is not waived in accordance with this agreement by the time or date specified in this agreement for the satisfaction of the Condition;

(b) there occurs any occurrence or event that will result in a Condition becoming incapable of satisfaction by the time or date specified in this agreement for the satisfaction of the Condition (and the breach or non-fulfilment of that Condition which would otherwise occur has not already been waived in accordance with this agreement); or

(c) it becomes more likely than not that the Scheme will not become Effective by the End Date,

the parties will consult in good faith to determine whether an alternative solution can be agreed, including:

(d) whether the Condition is capable of being waived;

(e) whether the Transaction could be structured by alternative means in a manner acceptable to the parties in their sole discretion;

(f) the possibility of extending the date for satisfaction of the relevant Condition in a manner acceptable to the parties in their sole discretion;

(g) the possibility of adjourning or changing the date of any shareholder meeting in respect of the Transaction (including the Scheme Meeting and the Homeloans Shareholder Meeting) in a manner acceptable to the parties in their sole discretion;

(h) the possibility of adjourning or changing the date of application to the Court for an order pursuant to section 411(4)(b) of the Corporations Act in a manner acceptable to the parties in their sole discretion; or

(i) the possibility of extending the End Date in a manner acceptable to the parties in their sole discretion.

3.6 Waiver of Conditions

(a) A Condition is only for the benefit of:

(i) if one party is specified in the second column of the table in clause 3.1 opposite that Condition, that party; or

(ii) if both parties are specified in the second column of the table in clause 3.1 opposite that Condition, both parties.

(b) A Condition may be waived and may only be waived:

(i) if one party is specified in the second column of the table in clause 3.1 opposite that Condition, by that party by written notice to the other party; or

(ii) if both parties are specified in the second column of the table in clause 3.1 opposite that Condition, by written agreement between the parties.

(c) A party entitled to waive or to agree to waive a Condition under this clause 3.6 may do so in its absolute discretion subject to the provision of written notice to the other party.

(d) A party that waives or agrees to waive a Condition is not prevented from bringing a claim against any other party in respect of any breach of this agreement that caused that Condition not to be satisfied.

(e) Waiver of a breach or non-fulfilment in respect of one Condition does not constitute:

(i) a waiver of breach or non-fulfilment of any other Condition resulting from the same event; or

(ii) a waiver of breach or non-fulfilment of that Condition resulting from any other event.

3.7 Failure of Conditions

Subject to clause 3.8, if the parties are unable to reach agreement under clause 3.5:

(a) within 5 Business Days of first becoming aware of the relevant occurrence or event described in clause 3.5(a) or 3.5(b); or

(b) in relation to clause 3.5(c) only, by the End Date,

then either party may terminate this agreement by written notice to the other party except where the relevant Condition has become incapable of satisfaction, has not been satisfied, or ceases to be satisfied, or the Scheme fails to be Effective, as a direct result of:

(c) a breach of this agreement by the party seeking to terminate; or

(d) a deliberate act or omission of that party for the purpose of frustrating satisfaction of a Condition.

3.8 Discretion of the Court

If the Condition in clause 3.1(k) is not satisfied only because of a failure to obtain the majority required by sub-subparagraph 411(4)(a)(ii)(A) of the Corporations Act, then either party may by written notice to the other within 3 Business Days after the date of the conclusion of the Scheme Meeting require the approval of the Court to be sought, pursuant to the Court's discretion in that sub-subparagraph, provided the party has, in good faith, reasonably formed the view that the prospect of the Court exercising its discretion in that way is reasonable.

3.9 Interpretation

For the purposes of this clause 3, a Condition will be incapable of satisfaction if:

(a) in the case of a Regulatory Condition, the relevant Regulatory Authority makes or has made a final non-appealable adverse determination in writing to the effect that it will not provide the regulatory approval; and

(b) in all other cases there is an act, failure to act or occurrence that will prevent the Condition being satisfied by the End Date (and the breach or non-fulfilment that would otherwise have occurred has not already been waived in accordance with this agreement).

4. Implementation obligations

4.1 Resimac's obligations

Resimac must take all steps reasonably necessary to implement the Scheme as soon as is reasonably practicable after the date of this agreement and so as to complete the Transaction substantially in accordance with the Timetable, and in particular Resimac must:

(a) (**Scheme Book**) as soon as practicable after the date of this agreement, prepare the Scheme Book (excluding the Homeloans Scheme Book Information and the Independent Expert's Report) in accordance with all applicable laws and in particular the requirements of the Corporations Act, the Corporations Regulations, the Listing Rules and the Regulatory Guides;

(b) (**Review of the Homeloans Scheme Book Information**) as soon as practicable after receiving a draft of the Homeloans Information pursuant to clause 4.2(a), review and provide comments on the form and content of the Homeloans Scheme Book Information to Homeloans;

(c) (**Provide draft Scheme Book to Homeloans**) provide drafts of the Scheme Book to Homeloans, consult with Homeloans in relation to the content of those drafts and (acting reasonably and in good faith) take into account all reasonable comments from Homeloans and its Representatives on those drafts;

(d) (**Approval of draft Scheme Book**) procure that a meeting of the Resimac Board is convened to approve the draft Scheme Book to be provided to ASIC for its review;

(e) (**ASIC review**) as soon as reasonably practicable provide an advanced draft of the Scheme Book (**Regulator's Scheme Book Draft**) to ASIC, for its review and approval for the purposes of section 411(2) of the Corporations Act, and to Homeloans and:

(i) liaise with ASIC as necessary during the Regulatory Review Period; and

(ii) promptly notify, and consult with, Homeloans in relation to any material matters raised by ASIC in connection with the Scheme Book or the Scheme and any presentation or submission to, or at any proposed meeting with, ASIC, and co-operate and consult with Homeloans to resolve any such matters;

(f) (**Section 411(17)(b) statement**) apply to ASIC for the production of a statement in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;

(g) (**Court documents**) consult with Homeloans in relation to the content of the documents required for the purposes of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith all reasonable comments on, and suggested amendments to, those documents from Homeloans and its Representatives;

(h) (**First Court hearing**) lodge all documents with the Court and take all other reasonable steps to ensure that an application is heard by the Court for an order under section 411(1) of the Corporations Act directing Resimac to convene the Scheme Meeting;

(i) (**Approval of Scheme Book**) procure that a meeting of the Resimac Board is convened to approve the Scheme Book for registration with ASIC and despatch to Resimac Shareholders;

(j) (**Due diligence and verification**) Resimac must undertake appropriate due diligence and verification processes in relation to the Scheme Book (other than the Homeloans Scheme Book Information);

(k) (**Register Scheme Book**) request to ASIC that the explanatory statement included in the Scheme Book in relation to the Scheme be registered in accordance with section 412(6) of the Corporations Act;

(l) (**Compliance with Court orders**) take all reasonable steps necessary to comply with the orders of the Court including, as required, dispatching the Scheme Book to Resimac Shareholders and convening and holding the Scheme Meeting;

(m) (**Obtain Homeloans' consent)** before dispatch of the Scheme Book to Resimac Shareholders, Resimac must obtain the written consent of Homeloans to inclusion of the Homeloans Scheme Book Information in the Scheme Book in the form and context in which it appears (such consent not to be unreasonably withheld or delayed);

(n) (**Update Scheme Book**) if it becomes aware of information after the date of dispatch of the Scheme Book, which is required to be disclosed to Resimac Shareholders under any applicable law, as expeditiously as practicable:

(i) inform Resimac Shareholders of the information in an appropriate and timely manner, and in accordance with applicable law; and

(ii) to the extent it is reasonably practicable to do so, provide Homeloans with drafts of any documents that it proposes to issue to Resimac

Shareholders under this clause 4.1(n), consult with Homeloans in relation to the content of those drafts and (acting reasonably and in good faith) take into account any comments from Homeloans and its Representatives on those drafts;

(o) (**Notice of breach of warranties**) promptly notify Homeloans of any fact, matter or circumstance of which it becomes aware and which results in or is reasonably likely to result in a material breach of clause 13.4;

(p) (**Court approval application**) if the resolution submitted to the Scheme Meeting in relation to the Scheme is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act and subject to all other Conditions (other than the Condition in clause 3.1(l)) being satisfied or waived in accordance with this agreement, apply (and, to the extent necessary, re-apply) to the Court for orders approving the Scheme;

(q) (**Conditions Certificate**) at the hearing on the Second Court Date, provide to the Court a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions (other than the Condition in clause 3.1(l)) have been satisfied or waived in accordance with this agreement. Resimac must provide a draft of that certificate to Homeloans by 5.00 pm on the Business Day prior to the Second Court Date;

(r) (**Warranty Certificate**) provide to Homeloans by 5.00 pm on the Business Day prior to the Second Court Date a certificate signed by a director of Resimac and made in accordance with a resolution of the board of Resimac stating, as at that date, that there is no material breach of the representations and warranties given by Resimac in clause 13.4 or, if there is a material breach as at that date, providing complete particulars of the facts and matters which give rise to the material breach;

(s) (**Implementation of Scheme**) if the Scheme is approved by the Court:

(i) lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act before 5:00pm on the Business Day on which such office copy is received (or such later date as is agreed between the parties in writing);

(ii) close the Resimac Share Register as at the Record Date and determine entitlements to the Scheme Consideration in accordance with the Scheme;

(iii) provide to Homeloans all information about the Scheme Shareholders that Homeloans reasonably requires in order for Homeloans to provide, or procure the provision of, the Scheme Consideration in accordance with the Scheme;

(iv) promptly execute proper instruments for the transfer of, and register all transfers of, Scheme Shares to Homeloans in accordance with the Scheme;

(v) subject to Homeloans satisfying its obligations under clause 5, on the Implementation Date (or as soon as practicable thereafter) register all transfers of Scheme Shares to Homeloans in accordance with the Scheme; and

(vi) promptly do all other things reasonably contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme; and

(t) (**Other things necessary**) promptly do all other things reasonably within its power to lawfully give effect to the Scheme.

4.2 Homeloans' obligations

Homeloans must take all steps reasonably necessary to assist Resimac to implement the Scheme as soon as is reasonably practicable and so as to complete the Transaction substantially in accordance with the Timetable, and in particular Homeloans must:

(a) (**Draft of the Homeloans Scheme Book Information**) provide to Resimac a draft of the Homeloans Scheme Book Information as soon as reasonably practicable after the date of this agreement and consult with Resimac in relation to the content of drafts of the Homeloans Scheme Book Information and (acting reasonably and in good faith) take into account any comments from Resimac and its Representatives on those drafts;

(b) (**Final form of the Homeloans Scheme Book Information**) provide to Resimac the Homeloans Scheme Book Information in a form appropriate for inclusion in the Scheme Book;

(c) (**Review Scheme Book**) review the drafts of the Scheme Book provided by Resimac and provide comments on those drafts as soon as practicable and in good faith;

(d) (**Due diligence and verification**) undertake appropriate due diligence and verification processes in relation to the Homeloans Scheme Book Information and provide to Resimac all evidence of such processes as may be reasonably requested;

(e) (**Approval of the Homeloans Scheme Book Information**) as soon as reasonably practicable after receipt from Resimac of a draft of the Scheme Book that Resimac proposes to dispatch to Resimac Shareholders, either:

(i) confirm in writing to Resimac that the Homeloans Scheme Book Information in the form and context in which it appears in the draft of the Scheme Book is not misleading or deceptive in any material respect and does not contain any material omission and is in a form appropriate for dispatch to the Resimac Shareholders (subject to the approval of the Court); or

(ii) provide to Resimac the changes required to ensure that the Homeloans Scheme Book Information in the form and context in which it appears in the Scheme Book is not misleading or deceptive in any material respect and does not contain any material omission and is in a form appropriate for dispatch to the Resimac Shareholders (subject to the approval of the Court);

(f) (**Keep Resimac informed**) promptly inform Resimac if it becomes aware from the First Court Date until the Implementation Date that the Homeloans Scheme Book Information in the form and context in which it appears in the Scheme Book is or has become false, misleading or deceptive in any material respect or contains any material omission, and provide such further or new information as is required to ensure that such information is no longer false, misleading or deceptive in any material respect or contains any material omission;

(g) (**Notice of breach of warranties**) promptly notify Resimac of any fact, matter or circumstance of which it becomes aware and which results in or is reasonably likely to result in a material breach of clause 13.1;

(h) (**Deed Poll**) no later than the Business Day immediately prior to the First Court Date, enter into the Deed Poll and deliver the executed Deed Poll to Resimac;

(i) (**Representation**) procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through its counsel and, if requested by the Court, Homeloans will undertake to do all such things and take all such steps within its power as may be reasonably necessary in order to ensure the fulfilment of its obligations under this agreement and the Scheme;

(j) (**Conditions Certificate**) at or before the hearing on the Second Court Date, provide to the Court a certificate (or such other evidence as the court may request) confirming (in respect of matters within its knowledge) whether or not the Conditions (other than the Condition in clause 3.1(l)) have been satisfied or waived in accordance with this agreement. Homeloans must provide a draft of that certificate to Resimac by 5:00 pm on the Business Day prior to the Second Court Date;

(k) (**Warranty Certificate**) provide to Resimac by 5.00 pm on the Business Day prior to the Second Court Date a certificate signed by a director of Homeloans and made in accordance with a resolution of the board of Homeloans stating, as at that date, that there is no material breach of the representations and warranties given by Homeloans in clause 13.1 or, if there is a material breach as at that date, providing complete particulars of the facts and matters which give rise to the material breach;

(l) (**Official quotation**) must apply to ASX for official quotation by ASX of the Homeloans Shares to be issued to Scheme Shareholders pursuant to the Scheme and use its best endeavours to obtain the approval of ASX for official quotation (subject to customary conditions and to the Scheme becoming Effective) no later than 8.00am on the Second Court Date;

(m) (**Scheme Consideration**) if the Scheme becomes Effective, provide (or procure the provision of) the Scheme Consideration on the Implementation Date in accordance with clause 5 and the Transaction Documents;

(n) (**Despatch of Holding Statements**) despatch holding statements to Scheme Shareholders for the Homeloans Shares issued to the Scheme Shareholders pursuant to the Scheme by midday on the Implementation Date;

(o) (**Share Transfer**) if the Scheme becomes Effective, accept a transfer of the Resimac Shares as contemplated by clause 4.3;

(p) (**Compliance with laws**) comply with applicable laws and regulations in connection with the Transaction; and

(q) (**Other things necessary**) promptly do all other things reasonably within its power to lawfully give effect to the Scheme and the Transaction.

4.3 Homeloans Shareholder Meeting - Homeloans' obligations

Homeloans must:

(a) (**Homeloans Notice of Meeting**) as soon as practicable after the date of this agreement, prepare the Homeloans Notice of Meeting (excluding the Resimac NOM Information and the Independent Expert's Report) in accordance with all applicable laws and in particular the requirements of the Corporations Act, the Corporations Regulations, the Listing Rules and the Regulatory Guides;

(b) (**Review of the Resimac NOM Information**) as soon as practicable after receiving a draft of the Resimac NOM Information pursuant to clause 4.4(a), review and provide comments on the form and content of the Resimac NOM Information to Resimac;

(c) (**Independent Expert**) promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Homeloans Notice of Meeting;

(d) (**Provide draft Homeloans Notice of Meeting to Resimac**) provide drafts of the Homeloans Notice of Meeting to Resimac, consult with Resimac in relation to the content of those drafts and (acting reasonably and in good faith) take into account all reasonable comments from Resimac and its Representatives on those drafts;

(e) (**Provide draft Independent Expert's Report**) provide a draft of the Independent Expert's Report to Resimac no later than 2 Business Days prior to provision of the Regulator's Homeloans NOM Draft to ASIC;

(f) (**Approval of draft Homeloans Notice of Meeting**) procure that a meeting of the Homeloans Board is convened to approve the draft Homeloans Notice of Meeting to be provided to ASIC for its review;

(g) (**ASIC review**) as soon as reasonably practicable provide an advanced draft of the Homeloans Notice of Meeting (**Regulator's Homeloans NOM Draft**) to ASIC and ASX, for review and approval in accordance with Regulatory Guide 74 (for ASIC) and Listing Rule 15.1 (for ASX), and to Resimac and:

(i) liaise with ASIC and ASX as necessary during the Regulatory Review Period; and

(ii) promptly notify, and consult with, Resimac in relation to any material matters raised by ASIC or ASX in connection with the Homeloans Notice of Meeting and any presentation or submission to, or at any proposed meeting with, ASIC or ASX, and co-operate and consult with Resimac to resolve any such matters;

(h) (**Approval of Homeloans Notice of Meeting**) procure that a meeting of the Homeloans Board is convened to approve the Homeloans Notice of Meeting for despatch to Homeloans Shareholders;

(i) (**Due diligence and verification**) Homeloans must undertake appropriate due diligence and verification processes in relation to the Homeloans Notice of Meeting (other than the Resimac NOM Information and the Independent Expert's Report);

(j) (**Obtain Resimac's consent**) before dispatch of the Homeloans Notice of Meeting to Homeloans Shareholders, Homeloans must obtain the written consent of Resimac to inclusion of the Resimac NOM Information in the Homeloans Notice of Meeting in the form and context in which it appears (such consent not to be unreasonably withheld or delayed); and

(k) (**proxy reports**) cause the share registry for Homeloans to report to it and Resimac and their Representatives on the status of proxy forms received by the registry for the Homeloans Shareholder Meeting, at 10 Business Days before the Homeloans Shareholder Meeting, at each subsequent Business Day up to the deadline for receipt of proxy forms and at that deadline and provide to Homeloans and Resimac any other information as it may receive concerning the voting intentions of Homeloans Shareholders;

(l) (**Update Homeloans Notice of Meeting**) if it becomes aware of information after the date of dispatch of the Homeloans Notice of Meeting, which is required to be disclosed to Homeloans Shareholders under any applicable law, as expeditiously as practicable:

(i) inform Homeloans Shareholders of the information in an appropriate and timely manner, and in accordance with applicable law; and

(ii) to the extent it is reasonably practicable to do so, provide Resimac with drafts of any documents that it proposes to issue to Homeloans Shareholders under this clause 4.3(l)(ii), consult with Resimac in relation to the content of those drafts and (acting reasonably and in good faith) take into account any comments from Resimac and its Representatives on those drafts; and

(m) (**Other things necessary**) promptly do all other things reasonably within its power to lawfully convene the Homeloans Shareholder Meeting and put the Homeloans Shareholder Resolutions to the Homeloans Shareholder Meeting.

4.4 Homeloans Shareholder Meeting - Resimac's obligations

Resimac must:

(a) (**Draft of the Resimac NOM Information**) provide to Homeloans a draft of the Resimac NOM Information as soon as reasonably practicable after the date of this agreement and consult with Homeloans in relation to the content of drafts of the Resimac NOM Information and (acting reasonably and in good faith) take into account any comments from Homeloans and its Representatives on those drafts;

(b) (**Final form of the Resimac NOM Information**) provide to Homeloans the Resimac NOM Information in a form appropriate for inclusion in the Homeloans Notice of Meeting;

(c) (**Review Homeloans Notice of Meeting**) review the drafts of the Homeloans Notice of Meeting provided by Homeloans and provide comments on those drafts as soon as practicable and in good faith;

(d) (**Independent Expert**) promptly provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for inclusion in the Homeloans Notice of Meeting;

(e) (**Approval of the Resimac NOM Information**) as soon as reasonably practicable after receipt from Homeloans of the draft of the Homeloans Notice of Meeting that Homeloans proposes to dispatch to Homeloans Shareholders, either:

(i) confirm in writing to Homeloans that the Resimac NOM Information in the form and context in which it appears in the draft of the Homeloans Notice of Meeting is not misleading or deceptive in any material respect and does not contain any material omission and is in a form appropriate for dispatch to the Homeloans Shareholders; or

(ii) provide to Homeloans the changes required to ensure that the Resimac NOM Information in the form and context in which it appears in the Homeloans Notice of Meeting is not misleading or deceptive in any material respect and does not contain any material omission and is in a form appropriate for dispatch to the Homeloans Shareholders;

(f) (**Keep Homeloans informed**) promptly inform Homeloans if it becomes aware from the date the Homeloans Notice of Meeting is despatched until the Implementation Date that the Resimac NOM Information in the form and context in which it appears in the Homeloans Notice of Meeting is or has become false, misleading or deceptive in any material respect or contains any material omission, and provide such further or new information as is required to ensure that such information is no longer false, misleading or deceptive in any material respect or contains any material omission; and

(g) (**Other things necessary**) promptly do all other things reasonably within its power to lawfully assist the Homeloans to convene the Homeloans Shareholder Meeting

and put the Homeloans Shareholder Resolutions to the Homeloans Shareholder Meeting.

4.5 Dispute as to disclosure documents

If, after a reasonable period of consultation, the parties, each acting reasonably and in good faith, are unable to agree on the form or content of the:

(a) Scheme Book, then if the disagreement relates to the form or content of:

(i) the Homeloans Scheme Book Information (or any information solely derived from, or prepared solely in reliance on, the Homeloans Scheme Book Information), Resimac will, acting in good faith, make such amendments to that information in the Scheme Book as Homeloans may reasonably require; and

(ii) any other part of the Scheme Book, Resimac will, acting in good faith, decide the final form or content of that information in the Scheme Book; and

(b) Homeloans Notice of Meeting, then if the disagreement relates to the form or content of:

(i) the Resimac NOM Information (or any information solely derived from, or prepared solely in reliance on, the Resimac NOM Information), Homeloans will, acting in good faith, make such amendments to that information in the Homeloans Notice of Meeting as Resimac may reasonably require; and

(ii) any other part of the Homeloans Notice of Meeting, Homeloans will, acting in good faith, decide the final form or content of that information in the Homeloans Notice of Meeting.

4.6 Homeloans Scheme Book Information

Without limiting clause 4.2, Homeloans:

(a) consents to the inclusion of the Homeloans Scheme Book Information in the Scheme Book;

(b) consents to being named in the Scheme Book; and

(c) acknowledges that:

(i) it is responsible for ensuring that the Homeloans Scheme Book Information is not misleading or deceptive in any material respect (whether by omission or otherwise) and that Resimac will not verify or edit the final form of that information in the Scheme Book; and

(ii) the Scheme Book will state that Homeloans is responsible for the Homeloans Scheme Book Information, in accordance with clause 4.8.

4.7 Resimac NOM Information

Without limiting clause 4.4, Resimac:

(a) consents to the inclusion of the Resimac NOM Information in the Homeloans Notice of Meeting;

(b) consents to being named in the Homeloans Notice of Meeting; and

(c) acknowledges that:

(i) it is responsible for ensuring that the Resimac NOM Information is not misleading or deceptive in any material respect (whether by omission or otherwise) and that Homeloans will not verify or edit the final form of that information in the Homeloans Notice of Meeting; and

(ii) the Homeloans Notice of Meeting will state that Resimac is responsible for the Resimac NOM Information, in accordance with clause 4.9.

4.8 Scheme Book responsibility statement

The Scheme Book will contain a responsibility statement to the effect that:

(a) Homeloans has prepared, and is responsible for, the Homeloans Scheme Book Information in the Scheme Book, and that Resimac and its directors and officers do not assume any responsibility for the accuracy or completeness of that Homeloans Scheme Book Information; and

(b) Resimac has prepared, and is responsible for, the Resimac Scheme Book Information in the Scheme Book, and that Homeloans and its directors and officers do not assume any responsibility for the accuracy or completeness of that Resimac Scheme Book Information.

4.9 Homeloans Notice of Meeting responsibility statement

The Homeloans Notice of Meeting will contain a responsibility statement to the effect that:

(a) Resimac has prepared, and is responsible for, the Resimac NOM Information in the Homeloans Notice of Meeting, and that Homeloans and its directors and officers do not assume any responsibility for the accuracy or completeness of that Resimac NOM Information; and

(b) Homeloans has prepared, and is responsible for, the Homeloans NOM Information in the Homeloans Notice of Meeting, and that Homeloans and its directors and officers do not assume any responsibility for the accuracy or completeness of that Homeloans NOM Information; and

(c) the Independent Expert has prepared and is responsible for the Independent Expert's Report and:

(i) Resimac and its respective directors and officers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report; and

(ii) Homeloans and its respective directors and officers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

4.10 Composition of the board of the Merged Group

(a) Without limiting any other provision of this agreement including clause 2.2, the parties agree that, on the Implementation Date, subject to Homeloans having provided the Scheme Consideration to Scheme Shareholders in accordance with clause 5:

(i) two directors nominated by Homeloans will be appointed (including by continuing as a director of Homeloans) to the Board of the Merged Group with effect from the Implementation Date;

(ii) Homeloans will procure that, other than the two directors referred to in clause 4.10(a)(i), each other director of Homeloans will retire from the Homeloans Board and the board of each Subsidiary of Homeloans with effect from the Implementation Date;

(iii) three directors nominated by Resimac will be appointed to the Board of the Merged Group with effect from the Implementation Date, subject to those persons having provided a consent to act as director, either as a consequence of the passing of the Board Composition Resolution or by the Homeloans Directors appointing those nominees to fill casual vacancies; and

(iv) Resimac will nominate to the position of Chair of the Board of the Merged Group, one of the directors appointed to the Board of the Merged Group pursuant to this clause 4.10.

(b) The parties must use reasonable endeavours to procure that one independent, non-executive director agreed between the parties will be appointed to the Board of the Merged Group with effect from the Implementation Date, either as a consequence of the passing of the Board Composition Resolution or by the Homeloans Directors appointing those persons to fill casual vacancies subject to those persons having provided a consent to act as directors.

5. Scheme Consideration

5.1 Consideration

Subject to clause 5.2 and the Scheme becoming Effective:

(a) each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder in accordance with the terms and conditions of this agreement and the Scheme; and

(b) Homeloans covenants and agrees in favour of Resimac (in Resimac's own right and separately as trustee for each of the Scheme Shareholders) that in consideration of the transfer to Homeloans of each Scheme Share held by a Scheme Shareholder under the terms of the Scheme, Homeloans will:

(i) accept that transfer; and

(ii) provide to each Scheme Shareholder the Scheme Consideration to which they are entitled in respect of each Scheme Share held by that Scheme Shareholder at the Record Date.

5.2 Fractional entitlements and share splitting or division

If the number of Scheme Shares held by a Scheme Shareholder at the Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration comprising Homeloans Shares is such that a fractional entitlement to a Homeloans Share arises, then the entitlement of that Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of Homeloans Shares, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole number of Homeloans Shares.

5.3 Homeloans Shares

Homeloans covenants in favour of Resimac (in its own right and on behalf of each Scheme Shareholder) that:

(a) the Homeloans Shares issued as Scheme Consideration will, on their issue, rank equally in all respects with all other Homeloans Shares, except that the Homeloans Shares issued as Scheme Consideration will not be entitled to receive any dividend declared by Homeloans in respect of the year ending 30 June 2016;

(b) it will use best endeavours to ensure that the Homeloans Shares issued as Scheme Consideration will be listed for quotation on the official list of the ASX with effect from the Business Day after the Effective Date (or such later date as ASX may require), initially on a deferred settlement basis and, with effect from the Business Day following the Implementation Date, on an ordinary settlement basis (T+3, or T+2, if the ASX has transitioned to T+2 settlement by that time); and

(c) on issue, each Homeloans Share will be fully paid and free from any Encumbrance.

6. Conduct of Resimac's business

6.1 Provision of information about Resimac

During the period between the date of this agreement and the Implementation Date:

(a) Resimac will provide Homeloans with monthly finance information in respect of the Resimac Group in a form agreed between the parties; and

(b) Resimac will use reasonable endeavours to provide the chief executive officer of Homeloans with reasonable access to the Resimac Leadership Team, for the purpose of discussing material matters arising out of the papers provided to Homeloans under clause 6.1(a).

6.2 Undertaking

Subject to clauses 6.3 and 6.4, from the date of this agreement up to and including the Implementation Date, Resimac must:

(a) procure that each member of the Resimac Group (other than a Resimac SPV) conducts its businesses and operations in the ordinary and usual course (subject to any applicable laws, regulations and licence conditions), including in compliance with any material obligations owed by a member of the Resimac Group to a Resimac SPV; and

(b) ensure that no Resimac Prescribed Occurrence occurs.

6.3 Resimac Call Options

Notwithstanding any other provision of this agreement, Homeloans acknowledges and agrees that Resimac may enter into, and exercise, the Call Options and that the entry into, and performance of the rights and obligations under, the Call Options will not result in any breach of this agreement, any Condition to not be satisfied or any termination right to arise.

6.4 Exceptions

(a) The obligations of Resimac under clause 6.2 do not apply to any action undertaken by Resimac, or any failure to take any action by Resimac, to the extent it:

(i) is required in respect of the Transaction or is contemplated by the Transaction Documents;

(ii) occurs with Homeloans' prior written consent (such consent not to be unreasonably withheld or delayed);

(iii) results from a change, announced after the date of this agreement, in the accounting policies or practices applied by Resimac as required by law or applicable Accounting Standards; or

(iv) results from a change, announced after the date of this agreement, to legislation or regulation, including in relation to Tax.

For the avoidance of doubt, nothing in this clause 6 restricts the ability of Resimac to respond to an Alternative Resimac Proposal.

7. Conduct of Homeloans' business

7.1 Access to Homeloans business

During the Exclusivity Period, Homeloans must provide Resimac and its Representatives with reasonable access during usual business hours and within a reasonable time of a request by Resimac, to the Homeloan Group's senior executives and directors, offices, properties and other facilities and information concerning the Homeloans Group (subject to any existing confidentiality obligations owed to third parties and applicable laws including privacy laws) to the extent reasonably required for the purpose of:

(a) implementing the Scheme and the Transaction; and

(b) preparing to integrate the Resimac Group into the Homeloans Group in the event that the Transaction is implemented,

provided that:

(c) Homeloans is not obliged to comply with such requests by Resimac to the extent that providing access would cause material disruption to the Homeloans Group's business or place an unreasonable burden on the ability of the Homeloans Group to conduct its business; and

(d) the above obligations cease to operate upon a majority of the Homeloans Board changing or withdrawing their recommendation that Homeloans Shareholders vote in favour of the Homeloans Shareholder Resolutions, or recommending an Alternative Homeloans Proposal.

7.2 Undertaking

Subject to clauses 7.3, 7.4 and 7.5, from the date of this agreement up to and including the Implementation Date, Homeloans must:

(a) procure that each member of the Homeloans Group conducts its businesses and operations in the ordinary and usual course (subject to any applicable laws, regulations and licence conditions); and

(b) ensure that no Homeloans Prescribed Occurrence occurs.

7.3 Homeloans FY16 Dividend

Notwithstanding any other provision of this agreement, Resimac agrees that Homeloans may, but is not required to, declare, determine and/or pay the Homeloans FY16 Dividend, provided that the following conditions are satisfied:

(a) it is not declared or determined until the earlier of the Effective Date and 31 October 2016; and

(b) there has not at that time been any breach of clause 13.1(g).

7.4 Homeloans Performance Rights

Notwithstanding any other provision of this agreement, the Homeloans Board must ensure that the issue of any Escrow Shares on the vesting or exercise of the Homeloans Performance Rights conditional upon the holder of those Escrow Shares executing an Escrow Deed.

7.5 Exceptions

(a) The obligations of Homeloans under clause 7.2 do not apply to any action undertaken by Homeloans, or any failure to take any action by Homeloans, to the extent it:

(i) is required in respect of the Transaction or is contemplated by the Transaction Documents;

(ii) occurs with Resimac's prior written consent (such consent not to be unreasonably withheld or delayed);

(iii) results from a change, announced after the date of this agreement, in the accounting policies or practices applied by Homeloans as required by law or applicable Accounting Standards;

(iv) results from a change, announced after the date of this agreement, to legislation or regulation, including in relation to Tax.

(b) For the avoidance of doubt, nothing in this clause 7 restricts the ability of Homeloans to respond to a Alternative Homeloans Proposal.

8. Recommendation, intentions and announcements

8.1 Resimac Board Recommendation and Voting Intention

(a) Subject to clause 8.1(b), Resimac must ensure that the Announcement and the Scheme Book state that each Resimac Director:

(i) recommends that Resimac Shareholders vote in favour of the Scheme Resolutions (**Resimac Recommendation**); and

(ii) intends to cause any Resimac Shares in which they have a Relevant Interest to be voted in favour of the Scheme Resolutions (**Resimac Voting Intention**),

provided that each statement may be expressed to be subject to the ability of each Resimac Director to change the Resimac Recommendation and Resimac Voting Intention in accordance with clause 8.1(b).

(b) Notwithstanding any other provision of this agreement, Homeloans acknowledges that each Resimac Director may publicly (or otherwise) withdraw, change, adversely modify or in any way qualify their Resimac Recommendation or Resimac Voting Intention if a Superior Resimac Proposal is made.

8.2 Resimac confirmation

Resimac represents and warrants to Homeloans that each Resimac Director has confirmed their agreement not to do anything inconsistent with their Resimac Recommendation and Resimac Voting Intention (including withdrawing, changing or in any way qualifying their Resimac Recommendation or Resimac Voting Intention) other than in the circumstances referred to in clause 8.1(b).

8.3 Homeloans Board Recommendation and Voting Intention

(a) Subject to clause 8.3(b), Homeloans must ensure that the Announcement and the Homeloans Notice of Meeting state that each Homeloans Director:

(i) recommends that Homeloans Shareholders vote in favour of the Homeloans Shareholder Resolutions (**Homeloans Recommendation**); and

(ii) intends to cause any Homeloans Shares in which they have a Relevant Interest to be voted in favour of the Homeloans Shareholder Resolutions (**Homeloans Voting Intention**),

provided that each statement may be expressed to be subject to the ability of each Homeloans Director to change the Homeloans Recommendation and Homeloans Voting Intention in accordance with clause 8.3(b).

(b) Notwithstanding any other provision of this agreement, Resimac acknowledges that each Homeloans Director may publicly (or otherwise) withdraw, change, adversely modify or in any way qualify their Homeloans Recommendation or Homeloans Voting Intention if:

(i) a Superior Homeloans Proposal is made; or

(ii) the Independent Expert does not conclude, or ceases to conclude, or adversely changes its previously given opinion, such that it is no longer, that the Transaction is In The Best Interests, where the reason for such conclusion or change in conclusion does not include the existence of an Alternative Homeloans Proposal,

provided that the withdrawal, change, adverse modification or qualification, and any change in the Independent Expert's opinion, does not arise in connection with the entry into, or exercise of, the Call Options.

8.4 Homeloans Confirmation

Homeloans represents and warrants to Resimac that each Homeloans Director has confirmed their agreement not to do anything inconsistent with their Homeloans Recommendation and Homeloans Voting Intention (including withdrawing, changing or in any way qualifying their Homeloans Recommendation or Homeloans Voting Intention) other than in the circumstances referred to in clause 8.3(b).

8.5 Announcement

Immediately after the execution of this agreement Resimac and Homeloans must issue the Announcement to the ASX.

9. Exclusivity arrangements

9.1 Ceased discussions

Homeloans represents and warrants that at the time of entry into this agreement:

(a) it is not currently in negotiations or discussions in respect of any Alternative Homeloans Proposal with any person; and

(b) it has ensured that any electronic data room access granted to any Third Party prior to the date of this agreement is withdrawn (except as permitted by clause 9.3, provided clause 9.5 continues to be complied with).

9.2 No shop

During the Exclusivity Period, Homeloans must not, and must ensure that its Representatives do not, except with the prior written consent of Resimac, solicit, invite, initiate or encourage any Alternative Homeloans Proposal or any inquiry, expression of interest, offer, proposal, negotiations or discussions by or with any Third Party in relation to, or that may reasonably be expected to encourage or lead to the making of, an Alternative Homeloans Proposal, or communicate any intention to any person to do any of those things.

9.3 No talk and no due diligence

During the Exclusivity Period, Homeloans must not, and must ensure that its Representatives do not, except with the prior written consent of Resimac:

(a) enter into, continue or participate in any negotiations or discussions with, or accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding with, any Third Party in relation to an Alternative Homeloans Proposal; or

(b) make available to any Third Party, or permit any Third Party to receive, any non-public information relating to any member of the Homeloans Group in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an Alternative Homeloans Proposal; or

(c) communicate to any person an intention to do anything referred to in this clause 9.3,

even if the relevant Alternative Homeloans Proposal (or related discussions) was not directly or indirectly solicited, invited, encouraged or initiated by Homeloans, its Related Bodies Corporate or Representatives, or the Alternative Homeloans Proposal is publicly announced, unless the Homeloans Board determines, in good faith, after taking advice from the Homeloans Board's external legal and financial advisors, that the Alternative Homeloans Proposal is or is reasonably likely to become a Superior Homeloans Proposal.

9.4 Notice of Alternative Homeloans Proposal

During the Exclusivity Period, Homeloans must promptly, and in any case by no later than the Business Day following receipt by Homeloans or any of its Representatives of a bona fide expression of interest, offer or proposal from any person with respect to an Alternative Homeloans Proposal:

(a) notify Resimac of the fact and general nature of the approach; and

(b) provide to Resimac full details of the identity of the relevant person making or proposing the Alternative Homeloans Proposal and the material terms and conditions of the Alternative Homeloans Proposal, except, in the case of this paragraph (b) only, to the extent the Homeloans Board determines in good faith, after taking advice from the Homeloans Board's external legal and financial advisors that the relevant Alternative Homeloans Proposal is or is reasonably likely to become a Superior Homeloans Proposal and disclosure of the identity of the relevant person or of the material terms and conditions of the Alternative Homeloans Proposal would be reasonably likely to constitute a breach of what they reasonably consider to be their fiduciary or statutory duties or otherwise be unlawful.

9.5 Provision of information

During the Exclusivity Period, Homeloans must as soon as possible provide Resimac with:

(a) in the case of written materials, a copy of; and

(b) in any other case, a written statement of,

any material non-public information about the business or affairs of Homeloans or the Homeloans Group disclosed or otherwise provided to any Third Party (whether that information is disclosed to the Third Party during the Exclusivity Period or was disclosed before the date of this agreement) in connection with an actual, proposed or potential Alternative Homeloans Proposal that has not previously been provided to Resimac. The provision of that of information to a Third Party may only be undertaken if permitted by clause 9.3(b).

9.6 Resimac's right of last offer

Without limitation to any other part of this agreement, Homeloans must not enter into a binding implementation agreement to undertake an Alternative Homeloans Proposal and ensure that each member of the Homeloans Board does not change its Homeloans Recommendation or Homeloans Voting Intention as a consequence of receiving an Alternative Homeloans Proposal, unless:

(a) Homeloans has provided Resimac with full details of the Alternative Homeloans Proposal, including the identity of the person making the Alternative Homeloans Proposal and the price and other material terms and conditions of the Alternative Homeloans Proposal;

(b) Homeloans has provided Resimac with 5 clear Business Days to submit an irrevocable written offer of a counter proposal to the relevant Alternative Homeloans Proposal which includes variations to the terms of the Transaction (**Revised Proposal**); and

(c) Resimac has not submitted a Revised Proposal which the Homeloans Board determines, in good faith, after taking advice from the Homeloans Board's external legal and financial advisors, is no less favourable to Homeloans Shareholders compared to the Alternative Homeloans Proposal when taken as a whole,

and if the Homeloans Board does make such a determination that the Revised Proposal is no less favourable to Homeloans Shareholders, the parties must each use best endeavours to, as soon as practicable, agree the necessary amendments to this agreement, and take all other necessary steps, to give effect to the change to the Transaction in accordance with the Revised Proposal, subject to any Superior Homeloans Proposal.

For the purposes of this clause 9.6, each successive material modification of an Alternative Homeloans Proposal will constitute a new Alternative Homeloans Proposal in respect of which Homeloans must comply with this clause 9.6.

9.7 Legal advice

Homeloans acknowledges that it has received legal advice on this agreement and the operation of this clause 9.

10. Resimac Break Fee

10.1 Payment of costs

(a) Resimac and Homeloans believe that the Scheme and the Transaction will provide benefits to Resimac and its shareholders and Homeloans, and acknowledge that if the parties enter into this agreement and the Scheme and the Transaction are subsequently not implemented, Homeloans will incur significant costs.

(b) In the circumstances referred to in clause 10.1(a):

(i) Homeloans requested that provision be made for the Resimac Break Fee, without which it would not have entered into this agreement; and

(ii) the Resimac Board believes that it is appropriate to agree to the Resimac Break Fee in order to secure Homeloans' participation.

(c) Resimac and Homeloans acknowledge that the Resimac Break Fee is intended by the parties to be purely and strictly compensatory in nature and represents a reasonable estimate of the compensation so as to compensate Homeloans for the following:

(i) advisory costs (including costs of advisors other than success fees);

(ii) costs of management and directors' time;

(iii) out of pocket expenses; and

(iv) reasonable opportunity costs in pursuing the Transaction or in not pursuing other alternative transactions or strategic initiatives which Homeloans would have developed to further its business and objectives.

10.2 Resimac Break Fee payable

(a) Subject to clause 10.3, Resimac must pay Homeloans the Resimac Break Fee, without withholding or set off, if:

(i) Homeloans has terminated this agreement pursuant to clause 16.3(a) (other than in respect of a Resimac Prescribed Occurrence);

(ii) all of the following are satisfied:

A. a Resimac Prescribed Occurrence occurs prior to 8.00am on the Second Court Date;

B. this agreement is terminated in accordance with clause 16.3(a);

C. all of the following apply in relation to the Resimac Prescribed Occurrence:

1) the prevention of the Resimac Prescribed Occurrence was within the control of Resimac; and

2) had the Resimac Prescribed Occurrence occurred prior to the date of this agreement, the Resimac Prescribed Occurrence might reasonably be expected to have resulted in Homeloans not entering into this agreement; and

D. Resimac has failed to rectify the Resimac Prescribed Occurrence within 10 Business Days after receipt of notice from Homeloans requiring Resimac to do so;

(iii) a majority of the Resimac Directors withdraw or adversely modify their Resimac Recommendation or Resimac Voting Intention; or

(iv) Ingot Capital Management Pty Ltd does not vote to approve the Scheme at the Scheme Meeting or makes a public statement that it does not intend to vote in favour of the Scheme.

(b) For the avoidance of doubt, none of subparagraphs 10.2(a)(i) to 10.2(a)(iv) prevent Homeloans from demanding the Resimac Break Fee pursuant to any other subparagraph of clause 10.2(a) if one or more of those subparagraphs is satisfied.

(c) Resimac must pay Resimac Break Fee without withholding or set off within 5 Business Days of receiving a written demand from Homeloans for payment of Resimac Break Fee made in the circumstances contemplated in clause 10.2(a), failing which the due amount shall be subject to interest payable by Resimac to Homeloans at a rate of 3% above the Reserve Bank of Australia's published overnight cash rate, from the 5th Business Day after Homeloans' demand was made, until payment of the amount referred to in clause 10.2(a) (plus interest payable under this clause) has been received by Homeloans.

10.3 Resimac Break Fee not payable

Despite any other term of this agreement:

(a) the Resimac Break Fee will not be payable to Homeloans if:

(i) the Scheme becomes Effective or Homeloans otherwise acquires Control of Resimac; or

(ii) Resimac terminates, or is entitled to terminate, this agreement in reliance on clause 16.3(b); or

(iii) the Homeloans Shareholder Resolutions (other than the Board Composition Resolution) are put to the Homeloans Shareholders and not passed,

and any amount already paid under this clause 10 must be promptly refunded by Homeloans; and

(b) the Resimac Break Fee is only payable once.

10.4 Compliance with law

If a court or the Takeovers Panel determines that any part of the Resimac Break Fee:

(a) constitutes, or would if performed constitute:

(i) a breach of the fiduciary or statutory duties of the Resimac Board; or

(ii) unacceptable circumstances within the meaning of the Corporations Act; or

(b) would, if paid, be unlawful for any reason,

then Resimac will not be obliged to pay such part of the Resimac Break Fee and, if the Resimac Break Fee has already been paid, then Homeloans must within 5 Business Days after receiving written demand from Resimac refund that part of the Resimac Break Fee to Resimac.

10.5 Other claims

Notwithstanding any other provisions of this agreement, the maximum aggregate amount which Resimac is required to pay in relation to a breach of this agreement is an amount equal to the Resimac Break Fee, and in no event will the aggregate liability of Resimac under or in connection with this agreement exceed the Resimac Break Fee, except to the extent such liability arises out of the fraud, dishonesty or wilful default of Resimac or any director, officer or employee of Resimac.

11. Homeloans Break Fee

11.1 Payment of costs

(a) Resimac and Homeloans believe that the Scheme and the Transaction will provide benefits to Homeloans and its shareholders, and Resimac and its shareholders, and acknowledge that if the parties enter into this agreement and the Scheme and the Transaction are subsequently not implemented, Resimac will incur significant costs.

(b) In the circumstances referred to in clause 11.1(a):

(i) Resimac requested that provision be made for Homeloans Break Fee, without which it would not have entered into this agreement; and

(ii) Homeloans Board believes that it is appropriate to agree to Homeloans Break Fee in order to secure Resimac's participation.

(c) Resimac and Homeloans acknowledge that Homeloans Break Fee is intended by the parties to be purely and strictly compensatory in nature and represents a reasonable estimate of the compensation so as to compensate Resimac for the following:

(i) advisory costs (including costs of advisors);

(ii) costs of management and directors' time;

(iii) out of pocket expenses; and

(iv) reasonable opportunity costs in pursuing the Scheme and the Transaction or not pursuing other alternative transactions or strategic initiatives.

11.2 Homeloans Break Fee payable

(a) Subject to clause 11.3, Homeloans must pay Resimac the Homeloans Break Fee, without withholding or set off, if:

(i) Resimac has terminated this agreement pursuant to clause 16.3(b) (other than in respect of a Homeloans Prescribed Occurrence);

(ii) all of the following are satisfied:

A. a Homeloans Prescribed Occurrence occurs prior to 8.00am on the Second Court Date;

B. this agreement is terminated in accordance with clause 16.3(b); and

C. all of the following apply in relation to the Homeloans Prescribed Occurrence:

1) the prevention of the Homeloans Prescribed Occurrence was within the control of Homeloans; and

2) had the Homeloans Prescribed Occurrence occurred prior to the date of this agreement, the Homeloans Prescribed Occurrence might

reasonably be expected to have resulted in Resimac not entering into this agreement; and

D. Homeloans has failed to rectify the Homeloans Prescribed Occurrence within 10 Business Days after receipt of notice from Resimac requiring Homeloans to do so;

(iii) Homeloans enters into binding transaction documentation to effect an Alternative Homeloans Proposal;

(iv) an Alternative Homeloans Proposal is announced or made before the date on which this agreement is terminated and, within 12 months after that announcement or proposal is made, the Third Party who announced or made the Alternative Homeloans Proposal or any Associate of that Third Party completes, implements or consummates that Alternative Homeloans Proposal; or

(v) if a majority of the Homeloans Directors withdraws or adversely modifies their Homeloans Recommendation or Homeloans Voting Intention, except where the Independent Expert does not conclude, ceases to conclude, or adversely changes its previously given opinion that such that it is no longer, that the Transaction is In The Best Interests, where the reason for such conclusion or change in conclusion does not include the existence of an Alternative Homeloans Proposal;

(b) For the avoidance of doubt, none of subparagraphs 11.2(a)(i) to 11.2(a)(v) prevent Resimac from demanding the Homeloans Break Fee pursuant to any other subparagraph of clause 11.2(a) if one or more of those subparagraphs is satisfied.

(c) Homeloans must pay Homeloans Break Fee without withholding or set off within 5 Business Days of receiving a written demand from Resimac for payment of Homeloans Break Fee made in the circumstances contemplated in clause 11.2(a), failing which the due amount shall be subject to interest payable by Homeloans to Resimac at a rate of 3% above the Reserve Bank of Australia's published overnight cash rate, from the 5th Business Day after Resimac's demand was made, until payment of the amount referred to in clause 11.2(a) (plus interest payable under this clause) has been received by Resimac.

11.3 Homeloans Break Fee not payable

Despite any other term of this agreement:

(a) the Homeloans Break Fee will not be payable to Resimac if:

(i) the Scheme becomes Effective or the Transaction otherwise completes; or

(ii) Homeloans terminates, or is entitled to terminate, this agreement in reliance on clause 16.3(a);

and any amount already paid under this clause 11 must be promptly refunded by Resimac; and

(b) the Homeloans Break Fee is only payable once.

11.4 Compliance with law

If a court or the Takeovers Panel determines that any part of the Homeloans Break Fee:

(a) constitutes, or would if performed constitute:

(i) a breach of the fiduciary or statutory duties of the Homeloans Board; or

(ii) unacceptable circumstances within the meaning of the Corporations Act; or

(b) would, if paid, be unlawful for any reason,

then Homeloans will not be obliged to pay such part of the Homeloans Break Fee and, if the Homeloans Break Fee has already been paid, then Resimac must within 5 Business Days after receiving written demand from Homeloans refund that part of the Homeloans Break Fee to Homeloans.

11.5 Other claims

Notwithstanding any other provisions of this agreement, but subject to clause 11.4, the maximum aggregate amount which Homeloans is required to pay in relation to a breach of this agreement is an amount equal to the Homeloans Break Fee, and in no event will the aggregate liability of Homeloans under or in connection with this agreement exceed the Homeloans Break Fee, except to the extent such liability arises out of a breach of clauses 5 or 9, a breach of Homeloans' obligations under the Deed Poll, or the fraud, dishonesty or wilful default of Homeloans or any director, officer or employee of Homeloans.

12. Liability of directors and employees

12.1 Liability of directors and employees

(a) To the maximum extent permitted by law, each party (**first party**) releases all rights against, and agrees that it will not make any claim against, each past, present and future, director, officer and employee of the other party of this agreement (**other party**) in respect of any matter arising in connection with this agreement or the Transaction, including:

(i) any breach of any representation or warranty;

(ii) any disclosure containing any statement which is false or misleading (whether by omission or otherwise); or

(iii) any failure to provide information,

whether current, future, known or unknown, arising at common law, in equity, under statute or otherwise, except to the extent arising from the fraud, dishonesty or wilful default of such director, officer or employee.

12.2 Directors' and officers' insurance

The Parties acknowledge and agree that:

(a) prior to the Effective Date, Resimac will arrange for run off directors' and officers' liability insurance cover (**Run Off Cover**) to be put in place for the benefit of each Beneficiary on, so far as practicable, terms (including as to limits of liability and deductibles) no less favourable than under the Policy under which each Beneficiary is insured prior to the Effective Date;

(b) the Run Off Cover will cover claims made up to 84 months after the Implementation Date in respect of conduct or matters occurring on or before the Implementation Date; and

(c) payment for the Run Off Cover may not be made until after the Implementation Date and that Homeloans will, in this event, procure that Resimac pays for the Run

Off Cover as soon as practicable after the Implementation Date but in any event, no later than the last date for payment under the terms of the Run Off Cover or related invoice.

12.3 Obligations in relation to directors' and officers' insurance

From the Implementation Date, Resimac must not:

(a) vary or cancel the Policy or Run Off Cover; or

(b) unless required under the Policy or Run Off Cover, commit any act or omission that may prejudice any claim by a Beneficiary under the Policy or Run Off Cover.

12.4 Directors' and officers' indemnities

(a) Without limiting any other term of this agreement, from the Effective Date, Homeloans undertakes that it will, in respect of each deed of indemnity, access and insurance (**Relevant Deed**) made by a Resimac Group entity (**Relevant Entity**) in favour of a director or officer of any Resimac Group entity (**Indemnified Person**) from time to time procure that:

(i) the Relevant Entity complies with the Relevant Deed; and

(ii) to the extent that the Relevant Entity ceases to exist after the Implementation Date, each Indemnified Person has the benefit of an indemnity from another Resimac Group entity of good financial standing on terms no less favourable than those contained in the Relevant Deed as at the Effective Date.

(b) This clause 12.4 applies to the maximum extent permitted by the Corporations Act and will be read down accordingly.

12.5 Benefit

(a) Homeloans acknowledges that Resimac holds the benefit of this clause 12 to the extent it relates to each Resimac Indemnified Party as trustee for them, and, as such, each such Resimac Indemnified Party may enforce this clause 12 against Homeloans.

(b) Resimac acknowledges that Homeloans holds the benefit of this clause 12 to the extent it relates to each Homeloans Indemnified Party as trustee for them, and, as such, each such Homeloans Indemnified Party may enforce this clause 12 against Resimac.

13. Representations, warranties and indemnities

13.1 Representations and warranties by Homeloans

Homeloans represents and warrants to Resimac (on its own behalf and separately as trustee for each of the Resimac Indemnified Parties):

(a) on and from the date of this agreement until (and including) 8.00 am on the Second Court Date that:

(i) it is a validly existing corporation registered under the laws of its place of incorporation;

(ii) the execution and delivery by Homeloans of the Transaction Documents to which Homeloans is party has been properly authorised by all

necessary corporate action and Homeloans has full corporate power and lawful authority to execute and deliver such Transaction Documents and to perform or cause to be performed its obligations under such Transaction Documents;

(iii) the Transaction Documents to which Homeloans is party constitute legal, valid and binding obligations on it and do not result in a breach of or default under:

A. the constitution of Homeloans; or

B. any writ, order or injunction, judgment, law, rule or regulation to which Homeloans is party, or by which Homeloans is bound and which would prevent Homeloans' from performing its obligations under this agreement; and

(iv) other than as expressly contemplated by clause 3, no shareholder or Regulatory Authority approvals are required to be obtained by Homeloans Group in order for it to execute and perform the Transaction Documents to which it is a party;

(b) as at the date of this agreement there are:

(i) 105,727,219 Homeloans Shares on issue; and

(ii) 2,520,383 Homeloans Options / Homeloans Performance Rights on issue;

and Homeloans has not issued (and is not required to issue) any other securities or instruments which are still outstanding (or may become outstanding) and which may convert into Homeloans Shares;

(c) on the First Court Date, the date the Scheme Book is despatched, the date of the Scheme Meetings and the Second Court Date the Homeloans Scheme Book Information has been prepared and included in the Scheme Book in good faith and on the understanding that:

(i) Resimac and the Resimac Indemnified Parties have relied on that information for the purposes of considering and approving the Resimac Scheme Book Information in the Scheme Book;

(ii) the Homeloans Scheme Book Information complies in all material respects with relevant laws (including the Corporations Act, Listing Rules and relevant Regulatory Guides), and includes all information regarding Homeloans and its Subsidiaries that is required by the Corporations Act, Regulatory Guides and Listing Rules to be included in the Scheme Book, including all the information that would be required under sub-sections 636(1)(c), (f), (g), (h), (i), (k)(ii), (l) and (m) of the Corporations Act to be included in a Homeloans' statement if Homeloans were offering the Scheme Consideration as consideration under a takeover bid;

(iii) the Homeloans Scheme Book Information (other than to the extent that it consists of information relating to Resimac that was provided by or on behalf of Resimac) in the form and context in which it appears in the Scheme Book is not misleading or deceptive in any material respect and does not contain any material omission; and

(iv) Homeloans has complied with its obligations under clause 4.2(f);

(d) on the date the Homeloans Notice of Meeting is despatched and the date of the Homeloans Shareholder Meeting:

(i) the Homeloans NOM Information has been prepared and included in the Homeloans Notice of Meeting in good faith and on the understanding that:

A. Resimac and the Resimac Indemnified Parties have relied on that information for the purposes of considering and approving the Resimac NOM Information in the Homeloans Notice of Meeting; and

B. the Independent Expert has relied on the information for the purposes of preparing the Independent Expert's Report;

(ii) the Homeloans NOM Information in the Homeloans Notice of Meeting does not contain a statement which is misleading or deceptive in any material respect and does not contain any material omission;

(iii) Homeloans has complied with its obligations under clause 4.3(k); and

(iv) the Homeloans NOM Information complies in all material respects with relevant laws (including the Corporations Act, Listing Rules and relevant Regulatory Guides);

(e) on the date of this agreement, the First Court Date, the date the Scheme Book is despatched, the date the Homeloans Notice of Meeting is despatched, the date of the Scheme Meetings, the date of the Homeloans Shareholder Meeting and the Second Court Date, following the making by Homeloans of the Announcement, Homeloans has complied in all respects with its continuous disclosure obligations under Listing Rule 3.1 and is not withholding any information pursuant to its obligations under Listing Rule 3.1;

(f) as at the date of this agreement, to the best of the Homeloans Leadership Team's knowledge and belief:

(i) the information contained in the Homeloans Due Diligence Materials was collated and prepared in good faith for the purposes of Resimac conducting due diligence in respect of the Transaction and in response to particular written questions or requests for information,

(ii) the information contained in the Homeloans Due Diligence Materials is not materially misleading or deceptive (including by omission only to the extent Homeloans has knowingly or intentionally omitted to disclose information to Resimac as part of the Homeloans Due Diligence Materials); and

For the purposes of this Homeloans Warranty, the Homeloans Due Diligence Materials do not include:

(iii) any financial statements;

(iv) any information, document, representation, statement, view or opinion to the extent that it contains or expresses a forecast, prediction or projection or is otherwise forward looking after the date of this agreement; and

(v) any information, document, representation, statement, view or opinion to the extent that the same was not prepared, made or expressed by a member of the Homeloans Group or its Representatives;

(g) on each date from the date of this agreement until (and including) the Implementation Date:

(i) the outstanding aggregate balance of all corporate debt facilities entered into by any member of the Homeloans Group (including with Westpac Banking Corporation) is not, and is not reasonably likely to be as at the Implementation Date, greater than $1,500,000 (excluding any warehouse or term debt facilities);

(ii) there will be sufficient cash available to Homeloans on the Implementation Date, after payment of the Homeloans FY16 Dividend, to pay all outstanding transaction costs incurred, accrued, or reasonably expected to be payable, in respect of the Transaction (excluding any RMT cash collections and cash in any reserve accounts); and

(iii) there has been no material change to the terms of the warehouse debt facilities to which any member of the Homeloans Group is a party as compared to that disclosed to Resimac in the Homeloans Due Diligence Materials before the date of this agreement;

(h) on each date from the date of this agreement until (and including) the Implementation Date that none of the following events has occurred in relation to Homeloans:

(i) an Insolvency Event; and

(ii) Homeloans stops paying its debts as and when they fall due, or is declared or taken under any applicable law to be insolvent, or Homeloans' board of directors resolves that it is, or is likely to become at some future time, insolvent.

13.2 Qualification of Homeloans Warranties

The Homeloans Warranties and the indemnity under clause 13.3 are subject to, and are deemed to have disclosed against them, matters which:

(a) have been Fairly Disclosed in the Homeloans Due Diligence Materials; or

(b) are within the actual knowledge of the Resimac Leadership Team,

prior to entry into this agreement.

13.3 Homeloans indemnity

(a) Homeloans acknowledges that in entering into this agreement Resimac and the Resimac Indemnified Parties have relied on Homeloans Warranties.

(b) Homeloans indemnifies Resimac (on its own behalf and separately as trustee for each of the Resimac Indemnified Parties) against any loss suffered or incurred by reason of any breach of any of Homeloans Warranties.

13.4 Representations and warranties by Resimac

Resimac represents and warrants to Homeloans (on its own behalf and separately as trustee for each of Homeloans Indemnified Parties):

(a) on and from the date of this agreement until (and including) 8.00 am on the Second Court Date:

(i) Resimac is a validly existing corporation registered under the laws of its place of incorporation;

(ii) the execution and delivery by Resimac of the Transaction Documents to which Resimac is party has been properly authorised by all necessary corporate action and Resimac has full corporate power and lawful authority to execute and deliver such Transaction Documents and to perform or cause to be performed its obligations under such Transaction Documents; and

(iii) subject to laws generally affecting creditors' rights and the principles of equity, the Transaction Documents to which Resimac is party constitute legal, valid and binding obligations on Resimac and do not result in a breach of or default under:

A. the constitution of Resimac; or

B. any writ, order or injunction, judgment, law, rule or regulation to which Resimac is party, or by which Resimac is bound and which would prevent Resimac from performing its obligations under this agreement;

(b) as at the date of this agreement there are 22,230,489 Resimac Shares on issue; and Resimac has not issued (and is not required to issue) any other securities or instruments which are still outstanding (or may become outstanding) and which may convert into Resimac Shares;

(c) on the First Court Date, the date the Scheme Book is despatched, the date of the Scheme Meetings and the Second Court Date;

(i) the Resimac Scheme Book Information has been prepared and included in the Scheme Book in good faith and on the understanding that Homeloans and the Homeloans Indemnified Parties have relied on that information for the purposes of considering and approving the Homeloans Scheme Book Information in the Scheme Book; the Resimac Scheme Book Information in the Scheme Book does not contain a statement which is misleading or deceptive in any material respect and does not contain any material omission;

(ii) Resimac has complied with its obligations under clause 4.1(n); and

(iii) the Resimac Scheme Book Information complies in all material respects with relevant laws (including the Corporations Act, Listing Rules and relevant Regulatory Guides);

(d) on the date the Homeloans Notice of Meeting is despatched and the date of the Homeloans Shareholder Meeting:

(i) the Resimac NOM Information has been prepared and included in the Homeloans Notice of Meeting in good faith and on the understanding that:

A. Homeloans and the Homeloans Indemnified Parties have relied on that information for the purpose of considering and approving the Homeloans NOM Information in the Homeloans Notice of Meeting; and

B. the Independent Expert has relied on the information for the purposes of preparing the Independent Expert's Report;

(ii) the Resimac NOM Information complies in all material respects with relevant laws (including the Corporations Act, Listing Rules and relevant Regulatory Guides), and includes all information regarding the Resimac Group and the Resimac Shareholders that is required by the

Corporations Act, Regulatory Guides and Listing Rules to be included in the Resimac NOM Information;

(iii) the Resimac NOM Information (other than to the extent that it consists of information relating to Homeloans that was provided by or on behalf of Homeloans) in the form and context in which it appears in the Homeloans Notice of Meeting is not misleading or deceptive in any material respect and does not contain any material omission; and

(iv) Resimac has complied with its obligations under clause 4.4(f);

(e) prior to the date of the agreement, Resimac received written confirmation from Ingot Capital Management Pty Ltd that it supports the Transaction and will vote the Resimac Shares it indirectly or directly holds, owns, controls or represents in favour of the Scheme Resolutions, in each case in the absence of a Superior Resimac Proposal and, as at the date of this agreement, Ingot Capital Management Pty Ltd has not withdrawn or modified this confirmation;

(f) as at the date of this agreement, to the best of the Resimac Leadership Team's knowledge and belief:

(i) the information contained in the Resimac Due Diligence Materials was collated and prepared in good faith for the purposes of Homeloans conducting due diligence in respect of the Transaction and in response to particular written questions or requests for information; and

(ii) the information contained in the Resimac Due Diligence Materials is not materially misleading or deceptive (including by omission only to the extent Resimac has knowingly or intentionally omitted to disclose information to Homeloans as part of the Resimac Due Diligence Materials); and

For the purposes of this Resimac Warranty, the Resimac Due Diligence Materials do not include:

(iii) any financial statements;

(iv) any information, document, representation, statement, view or opinion to the extent that it contains or expresses a forecast, prediction or projection or is otherwise forward looking after the date of this agreement; and

(v) any information, document, representation, statement, view or opinion to the extent that the same was not prepared, made or expressed by a member of the Resimac Group or its Representatives;

(g) on each date from the date of this agreement until (and including) the Implementation Date that none of the following events has occurred in relation to Resimac:

(i) an Insolvency Event; and

(ii) Resimac stops paying its debts as and when they fall due, or is declared or taken under any applicable law to be insolvent, or Resimac's board of directors resolves that it is, or is likely to become at some future time, insolvent.

13.5 Qualification of Resimac Warranties

The Resimac Warranties and the indemnity under clause 13.6, are subject to, and are deemed to have disclosed against them, matters which:

(a) have been Fairly Disclosed in the Resimac Due Diligence Materials; or

(b) are within the actual knowledge of the Homeloans Leadership Team,

prior to entry into this agreement.

13.6 Resimac indemnity

(a) Resimac acknowledges that in entering into this agreement Homeloans and Homeloans Indemnified Parties have relied on the Resimac Warranties.

(b) Resimac indemnifies Homeloans (on its own behalf and separately as trustee for each of Homeloans Indemnified Parties) against any loss suffered or incurred by reason of any breach of any of the Resimac Warranties.

13.7 No representation or reliance

(a) Each party acknowledges that:

(i) no party (nor any person acting on its behalf or any of its Representatives) has made any representation or warranty or other inducement to it to enter into this agreement except for the representations or warranties expressly set out in this clause 13; and

(ii) it is not entering into this agreement in reliance on, and it may not rely on, any forecast, budget, estimate, projection, statement of opinion, statement of intention or any other warranty, representation or other statement made or purporting to be made by or on behalf of any other party,

and to the maximum extent permitted by law, all terms and conditions that may be implied by law in any jurisdiction and which are not expressly set out in this agreement are excluded (and to the extent that any terms and conditions of this type cannot be excluded then it irrevocably waives all rights and remedies that it may have in relation to, and releases the other party and each of its Representatives from any liability in respect of, any terms and conditions of this type).

(b) Homeloans acknowledges that Resimac has not (nor any person acting on its behalf or any of its Representatives) made any warranty, and will not be taken to have made any warranty, whether under the Transaction Documents or otherwise, whether express or implied, in relation to any forecast, budget, estimate, projection, statement of opinion or statement of intention in relation to the Resimac Group provided to Homeloans or its Representatives before the date of this agreement, including as to the accuracy, completeness, reliability or reasonableness of any such matters.

13.8 Status of representations and warranties

Each representation and warranty in this clause 13:

(a) is severable;

(b) will survive the termination of this agreement; and

(c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this agreement.

13.9 Status and enforcement of indemnities

The parties acknowledge and agree that:

(a) each indemnity in this agreement is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination, completion or expiration of this agreement; and

(b) it is not necessary for a party to incur expense or to make any payment before enforcing a right of indemnity conferred by this agreement.

13.10 Limitation on claims

No person may make any claim in respect of a breach of clauses 13.1 or 13.4 (including under clauses 13.2 or 13.6) after the date which is 1 year after the earlier of the date this agreement is terminated in accordance with clause 16 and the Implementation Date.

14. Confidentiality and communications

14.1 Confidentiality Deed

(a) Each party acknowledges and agrees that it continues to be bound by and in accordance with the terms of the Confidentiality Deed after the date of this agreement.

(b) The parties acknowledge and agree that the terms of this agreement will prevail over the terms of the Confidentiality Deed to the extent of any inconsistency.

14.2 Survival of obligations

The rights and obligations of the parties under the Confidentiality Deed survive termination of this agreement.

14.3 Disclosure on termination of agreement

The parties agree that, if this agreement is terminated under clause 3.7, 15 or 16, any party may disclose the fact that this agreement has been terminated, where such disclosure is required by the relevant listing rules, by a Regulatory Authority or is otherwise in the reasonable opinion of that party required to ensure that the market in its securities is properly informed.

15. Court proceedings

15.1 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, Resimac and Homeloans must appeal the Court's decision to the fullest extent possible except to the extent that:

(a) the parties agree otherwise;

(b) Queen's Counsel or Senior Counsel representing that party in relation to the Scheme indicates that, in their opinion, an appeal would likely have less than a 50% prospect of success;

(c) there is, in the bona-fide view of the Resimac Board, a Superior Resimac Proposal which should be recommended in preference to the Scheme; or

(d) there is, in the bona fide view of the Homeloans Board, a Superior Homeloans Proposal which should be recommended in preference to the Transaction,

in which case either party may terminate this agreement by written notice to the other party.

15.2 Defence of proceedings

(a) Each of Resimac and Homeloans must vigorously defend, or must cause to be vigorously defended, any lawsuits or other legal proceeding brought against it (or any of its Subsidiaries) by a Third Party challenging this agreement or the completion of the Transaction.

(b) Neither Resimac nor Homeloans will settle or compromise (or permit any of its Subsidiaries to settle or compromise) any claim brought by a Third Party in connection with this agreement without the prior written consent of the other, such consent not to be unreasonably withheld.

15.3 Costs

Any costs incurred as a result of the operation of this clause 15 will be borne equally by Resimac and Homeloans.

16. Termination

16.1 Limited termination rights

This agreement may only be terminated in accordance with clause 3.7, clause 15.1, clause 16.2 or if the parties agree in writing to terminate this agreement.

16.2 Termination after Termination Event

This agreement may be terminated if a termination event described in clause 16.3 occurs:

(a) if one party is specified in the second column of the table in clause 16.3 opposite the termination event, by that party providing written notice to the other party at any time before 8.00 am on the Second Court Date;

(b) if more than one party is specified in the second column of the table in clause 16.3 opposite the termination event, by either of those parties providing written notice to the other party at any time before 8.00 am on the Second Court Date,

provided that a party (**Terminating Party**) may only terminate this agreement in reliance on the termination event in items (a) or (b) of the table in clause 16.3, if:

(c) that Terminating Party:

(i) acting reasonably and in good faith and after consultation to the extent practicable with each other party, has determined that its commercial interests have been, or are likely to be, affected in any material respect by the relevant event; and

(ii) has first given the other parties written notice of the occurrence of the termination event, including relevant details of the facts, matters and circumstances giving rise to the termination event; and

(d) the termination event has not been remedied by the earlier of 5 Business Days from the date on which the notice in paragraph (d)(i) was given and 8.00 pm on the date one Business Day before the Second Court Date.

16.3 Termination Events

Termination event		Who may terminate
(a)	Resimac is in material breach of clauses 4.1, 4.4, 6, 8, 10 or 13.4 of this agreement (including the Resimac Warranties), taken in the context of the Transaction, as a whole, other than as a result of a material breach of this agreement by Homeloans.	Homeloans
(b)	Homeloans is in material breach of clauses 4.2, 4.3, 5, 7, 8, 9, 11 or 13.1 of this agreement (including the Homeloans Warranties), taken in the context of the Transaction, as a whole, other than as a result of a material breach of this agreement by Resimac.	Resimac
(c)	A majority of the Homeloans Directors publicly change or withdraw their Homeloans Recommendation or Homeloans Voting Intention or publicly recommend an Alternative Homeloans Proposal, but only where permitted to do so under this agreement.	Homeloans or Resimac
(d)	A majority of the Resimac Directors publicly change or withdraw their Resimac Recommendation or Resimac Voting Intention or publicly recommend an Alternative Resimac Proposal, but only where permitted to do so under this agreement.	Homeloans or Resimac
(e)	The Scheme has not become Effective by the End Date.	Homeloans or Resimac

16.4 Effect of termination

If this agreement is terminated:

(a) the provisions of this agreement shall cease to have effect except for the provisions of clauses 1, 10, 11, 12, 13.10, 14, 16.4, and 17 to 19 (inclusive), 20.1 to 20.5 (inclusive), 20.7 to 20.11 (inclusive) and 21 which will survive termination; and

(b) subject to clause 13.10, each party retains the rights it has against the other in respect of any breach of this agreement occurring before termination.

17. Notices

17.1 How notice to be given

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement:

(a) may be given by personal service, post or facsimile or email;

(b) must be in writing;

(c) must be addressed as follows (or as otherwise notified by that party to each other party from time to time):

(i) if to Resimac:

Address: Level 9, 45 Clarence Street Sydney NSW 2000 Australia

Fax number: +612 9248 2300

Email: MaryC.Ploughman@resimac.com.au

Attention: Mary Ploughman

with a copy in each case to:

Email: jalgar@claytonutz.com

(ii) if to Homeloans:

Address: Level 16, 68 Pitt Street, Sydney, NSW 2000

Fax number: 02 8267 2045

Email: Scott.McWilliam@homeloans.com.au

Attention: Scott McWilliam

with a copy in each case to:

Email: ian.parkes@homeloans.com.au

(d) (in the case of personal service, post or facsimile) must be signed by the party making it or (on that party's behalf) by the solicitor for, or any attorney, director, secretary or authorised agent of, that party; and

(e) (in the case of email) must set out the full name and position or title of the sender; and

(f) must be delivered by hand or posted by prepaid post to the address, sent by fax to the number, or sent by email to the email address, of the addressee, in accordance with this clause 17.1.

17.2 When notice taken to be received

Each communication (including each notice, consent, approval, request and demand) under or in connection with this agreement is taken to be received by the addressee:

(a) (in the case of prepaid post sent to an address in the same country) on the third day after the date of posting;

(b) (in the case of prepaid post sent to an address in another country) on the fifth day after the date of posting by airmail;

(c) (in the case of fax) at the time in the place to which it is sent equivalent to the time shown on the transmission confirmation report produced by the fax machine from which it was sent; and

(d) (in the case of delivery by hand) on delivery; and

(e) (in the case of email) unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the addressee's domain specified in the email address notified for the purposes of clause 17.1, 3 hours after the email was sent,

but if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is posted, sent or delivered).

18. GST

18.1 Interpretation

(a) Except where the context suggests otherwise, and subject to clause 18.1(b), terms used in this clause have the meanings given to those terms by the *A New Tax System (Goods and Services Tax) Act 1999* (as amended from time to time).

(b) "Input tax credit" has the meaning given by the *A New Tax System (Goods and Services* Tax*) Act 1999* and a reference to an input tax credit entitlement of an entity includes an input tax credit for an acquisition made by that entity but to which another member of the same GST group is entitled.

(c) Any part of a supply that is treated as a separate supply for GST purposes (including attributing GST payable to tax periods) will be treated as a separate supply for the purposes of this clause.

(d) Any consideration for a supply that is specified to be inclusive of GST must not be taken into account in calculating the GST payable in relation to that supply for the purpose of this clause.

18.2 Reimbursements and similar payments

Any payment or reimbursement required to be made under this agreement that is calculated by reference to a cost, expense, or other amount paid or incurred will be limited to the total cost, expense or amount less the amount of any input tax credit to which an entity is entitled for the acquisition to which the cost, expense or amount relates.

18.3 GST payable

(a) If GST is payable in relation to a taxable supply made under or in connection with this agreement then any party (**Recipient**) that is required to provide consideration to another party (**Supplier**) for that supply must, subject to clause 18.3(c) pay an additional amount to the Supplier equal to the amount of that GST at the same times as other consideration is to be provided for that supply.

(b) No payment of any amount pursuant to clause 18.3(a) is required until the Supplier has provided a valid tax invoice to the Recipient.

(c) Where additional amounts are payable between parties to this agreement pursuant to clause 18.3(a), amounts so payable, to the extent they are equivalent in amount, shall be set off against each other as if paid and each party shall be obliged only to provide the tax invoice referred to in clause 18.3(b) no later than the time at which any consideration is to be first provided for that supply.

(d) If the GST payable in relation to a supply made under or in connection with this agreement varies from the additional amount paid by the Recipient under clause 18.3(a) then the Supplier must promptly issue an adjustment note to the Recipient and will provide a corresponding refund or credit to, or will be entitled to receive the amount of that variation from, the Recipient. Any payment, credit or refund under this paragraph is deemed to be a payment, credit or refund of the additional amount payable under clause 18.3(a).

19. Entire agreement

The Transaction Documents and the Confidentiality Deed constitute the entire agreement between the parties in relation to their subject matter and supersede all previous agreements and understandings between the parties in relation to their subject matter.

20. General

20.1 Amendments

This agreement may only be varied by a document signed by or on behalf of each party.

20.2 Assignment

A party may not assign, novate or otherwise transfer any of its rights or obligations under this agreement without the prior written consent of the other party.

20.3 Consents

Unless this agreement expressly provides otherwise, a consent under this agreement may be given or withheld in the absolute discretion of the party entitled to give the consent and to be effective must be given in writing.

20.4 Costs

Except as otherwise provided in this agreement, each party must pay its own costs and expenses in connection with negotiating, preparing, executing and performing each Transaction Document.

20.5 Counterparts

This agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes an original of this agreement, and all together constitute one agreement.

20.6 Further acts and documents

Each party must promptly do all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by another party to give effect to this agreement.

20.7 Remedies

The parties acknowledge that damages may not be a sufficient remedy for breach of this agreement. Specific performance, injunctive relief, or any other remedies which would otherwise be available in equity or in law are available as a remedy for a breach or threatened breach of this agreement by any party, notwithstanding the ability of any party to terminate this agreement or seek damages for such a breach or threatened breach.

20.8 No merger

A party's rights and obligations do not merge on completion of any transaction under this agreement.

20.9 Severance

If any provision or part of a provision of this agreement is held or found to be void, invalid or otherwise unenforceable (whether in respect of a particular party or generally), it will be deemed to be severed to the extent that it is void or to the extent of violability, invalidity or unenforceability, but the remainder of that provision will remain in full force and effect.

20.10 Stamp duties

Homeloans:

(a) must pay all stamp duties and any related fines and penalties in respect of this agreement, the performance of this agreement and each transaction effected by or made under this agreement;

(b) must pay to Resimac on demand the amount of any Indemnified Loss suffered or incurred by Resimac arising out of or in connection with any failure to comply with clause 20.10(a); and

(c) is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid under this clause.

20.11 Waivers

Without limiting any other provision of this agreement, the parties agree that:

(a) failure to exercise or enforce, or a delay in exercising or enforcing, or the partial exercise or enforcement of, a right, power or remedy provided by law or under this agreement by a party does not preclude, or operate as a waiver of, the exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this agreement;

(b) a waiver given by a party under this agreement is only effective and binding on that party if it is given or confirmed in writing by that party; and

(c) no waiver of a breach of a term of this agreement operates as a waiver of another breach of that term or of a breach of any other term of this agreement.

21. Governing law, jurisdiction and service of process

21.1 Governing law

This agreement is governed by the law applying in New South Wales.

21.2 Jurisdiction

Each party irrevocably:

(a) submits to the non exclusive jurisdiction of the courts of New South Wales, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this agreement; and

(b) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 21.2(a).

Schedule 1 Indicative Timetable

Event	Date
Announcement	20 July 2016
Regulator's Scheme Booklet Draft lodged with ASIC	17 August 2016
Regulator's Homeloans NOM Draft lodged with ASIC	17 August 2016
First Court Date	1 September 2016
Despatch of Scheme Booklet and Homeloans Notice of Meeting	2 September 2016
Scheme Meeting	4 October 2016
Homeloans Shareholder Meeting	4 October 2016
Second Court Date	5 October 2016
Effective Date	6 October 2016
Record Date	13 October 2016
Implementation Date	18 October 2016

Executed as an agreement.

Executed by **Resimac Limited** in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director

WARREN J. McLELAND.

Full name of director

Signature of ~~company secretary~~/director

MARY PLOUGHMAN

Full name of ~~company secretary~~/director

Executed by **Homeloans Limited** in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director

Full name of director

Signature of company secretary/director

Full name of company secretary/director

Executed as an agreement.

Executed by **Resimac Limited** in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director

Full name of director

Signature of company secretary/director

Full name of company secretary/director

Executed by **Homeloans Limited** in accordance with section 127 of the Corporations Act 2001 (Cth):

HOMELOANS LIMITED
A.C.N. 095 034 093
COMMON SEAL

Signature of director

ROBERT NORMAN SCOTT

Full name of director

Signature of company secretary/director

JENNIFER BERNADETTE MURRAY

Full name of company secretary/director

Annexure A Scheme

CLAYTON UTZ

Scheme of Arrangement

Pursuant to section 411 of the Corporations Act

Resimac Limited
Resimac

The registered holders of fully paid ordinary shares in the capital of Resimac as at the Record Date

Clayton Utz
Lawyers
Level 15 1 Bligh Street
Sydney NSW 2000
GPO Box 9806
Sydney NSW 2001
Tel +61 2 9353 4000
Fax +61 2 8220 6700
www.claytonutz.com

Our reference 13530/14604/80172952

Contents

1. Definitions and interpretation 1

1.1 Definitions 1
1.2 Interpretation 3
1.3 Business Day 3

2. Conditions Precedent 4

2.1 Conditions to the Scheme 4
2.2 Certificates in relation to Conditions Precedent 4
2.3 Termination of Scheme Implementation Agreement 4

3. Scheme 4

3.1 Effective Date of the Scheme 4
3.2 End Date 5

4. Implementation of Scheme 5

4.1 Lodgement 5
4.2 Transfer of Scheme Shares 5
4.3 Provision of Scheme Consideration 5
4.4 Joint holders 6

5. Scheme Consideration 6

5.1 Consideration 6
5.2 Fractional entitlements and share splitting or division 6
5.3 Binding instruction or notifications 7
5.4 Status of New Homeloans Shares 7

6. Dealings in Resimac Shares 7

6.1 Dealings in Resimac Shares by Scheme Shareholders 7
6.2 Resimac Share Register 7
6.3 Information to be made available to Homeloans 7
6.4 Effect of share certificates and holding statements 8
6.5 No disposals after Record Date 8

7. General Scheme provisions 8

7.1 Appointment of agent and attorney 8
7.2 Enforcement of Deed Poll 8
7.3 Scheme Shareholders' consent 8
7.4 Scheme Shareholder's agreements 8
7.5 Warranty by Scheme Shareholders 9
7.6 Title to Scheme Shares 9
7.7 Alterations and Conditions 9
7.8 Notices 9
7.9 Inconsistencies 9
7.10 Further assurance 9
7.11 Stamp Duty 9
7.12 Governing Law 10

CLAYTON UTZ

Scheme of Arrangement made under section 411 of the Corporations Act 2001 (Cth)

Date

Parties

Resimac Limited of Level 9, 45 Clarence Street Sydney NSW 2000 (**Resimac**)

The registered holders of fully paid ordinary shares in the capital of Resimac as at the Record Date

Background

A. Resimac is a company limited by shares incorporated in the state of New South Wales.

B. Homeloans Limited ACN 095 034 003 (**Homeloans**) is a public company incorporated in the state of Western Australia and is admitted to the official list of the ASX.

C. Resimac and Homeloans have entered into the Scheme Implementation Agreement pursuant to which, amongst other things, Resimac has agreed to propose this Scheme to Resimac Shareholders, and each of Resimac and Homeloans have agreed to take certain steps to give effect to the Scheme.

D. If the Scheme becomes Effective, then:

(a) all the Scheme Shares will be transferred to Homeloans and the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the provisions of the Scheme; and

(b) Resimac will enter the name and address of Homeloans in the Resimac Share Register as the holder of the Scheme Shares.

E. Homeloans has entered into the Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to perform the obligations contemplated of it under the Scheme.

1. Definitions and interpretation

1.1 Definitions

In this document, unless the contrary intention appears or the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it known as the Australian Securities Exchange.

Business Day means a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally in Melbourne and Sydney.

Condition means each condition to this Scheme set out in clause 2.1.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Federal Court, New South Wales registry or such other court of competent jurisdiction as Resimac and Homeloans agree in writing.

Deed Poll means the deed poll dated [*] 2016 executed by Homeloans in favour of the Scheme Shareholders (subject to any amendments permitted by its terms).

Effective means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means a mortgage, charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off, or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

End Date means the later to occur of:

(a) 31 January 2017; and

(b) such other date agreed in writing between Resimac and Homeloans.

Explanatory Memorandum means the explanatory memorandum to be prepared by Resimac pursuant to section 412 of the Corporations Act in respect of the Scheme in accordance with the terms of the Scheme Implementation Agreement and to be dispatched to the Resimac Shareholders.

Homeloans Shares means fully paid ordinary shares in the capital of Homeloans.

Homeloans Share Register means the register of members of Homeloans maintained by or on behalf of Homeloans in accordance with section 168(1) of the Corporations Act.

Implementation Date means the date which is 3 Business Days after the Record Date or such other date as Resimac and Homeloans agree in writing.

New Homeloans Share means a fully paid ordinary share in Homeloans to be provided to Scheme Shareholders under the Scheme.

Record Date means 5.00 pm (Sydney time) on the date which is 5 Business Days after the Effective Date or such other time and date agreed in writing between Homeloans and Resimac.

Resimac Share Register means the register of members of Resimac maintained by or on behalf of Resimac in accordance with section 168(1) of the Corporations Act.

Resimac Shareholder means a person who is registered in the Resimac Share Register as a holder of Resimac Shares.

Resimac Shares means fully paid ordinary shares in the capital of Resimac.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act between Resimac and Resimac Shareholders as set out in this document, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by Homeloans and Resimac.

Scheme Consideration means, subject to clause 5.2, for each Scheme Share held by a Scheme Shareholder at the Record Date, 12.84 new Homeloans Shares.

Second Court Date means the first day of hearing of an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Scheme Implementation Agreement means the scheme implementation agreement dated 20 July 2016 between Resimac and Homeloans under which, amongst other things, Resimac has agreed to propose the Scheme to Scheme Shareholders, and each of Homeloans and Resimac has agreed to take certain steps to give effect to the Scheme.

Scheme Meeting means the meeting of Resimac Shareholders ordered by the Court in relation to the Scheme to be convened under section 411(1) of the Corporations Act.

Scheme Shares means a Resimac Share as at the Record Date.

Scheme Shareholder means a person who holds Resimac Shares as at the Record Date.

1.2 Interpretation

In this document, unless the contrary intention appears or the context requires otherwise:

(a) the singular includes the plural and vice versa;

(b) each gender includes each other gender;

(c) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;

(d) references to paragraphs or clauses are to a paragraph or clause of this document;

(e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;

(f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

(g) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;

(h) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(i) a reference to any time is a reference to that time in Sydney, Australia;

(j) a reference to "$" or "A$" is to the lawful currency of the Commonwealth of Australia;

(k) a reference to a document is that document as varied, novated, ratified or replaced from time to time;

(l) the interpretation of a substantive provision is not affected by any heading; and

(m) "includes" in any form is not a word of limitation.

1.3 Business Day

Except where otherwise expressly provided, where under this document the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing shall be done on the immediately preceding Business Day.

2. Conditions Precedent

2.1 Conditions to the Scheme

The Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions, and the provisions of clauses 3, 4 and 5 will not come into effect unless and until each of these conditions have been satisfied:

(a) as at 8.00 am on the Second Court Date each of the conditions set out in clause 3.1 of the Scheme Implementation Agreement (other than the condition relating to the approval of the Court set out in clause 3.1(l) of the Scheme Implementation Agreement) have been satisfied or waived in accordance with the terms of the Implementation Agreement;

(b) as at 8.00 am on the Second Court Date the Scheme Implementation Agreement has not been terminated;

(c) the Court approves this Scheme under section 411(4)(b) of the Corporations Act with or without modification;

(d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Homeloans and Resimac have been satisfied; and

(e) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to the Scheme.

2.2 Certificates in relation to Conditions Precedent

On the Second Court Date:

(a) Resimac must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8.00 am on the Second Court Date the conditions set out in clauses 3.1 (other than clause 3.1(l)) of the Scheme Implementation Agreement have been satisfied or waived in accordance with the Scheme Implementation Agreement; and

(b) Homeloans must provide to the Court a certificate (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not as at 8.00 am on the Second Court Date the conditions set out in clauses 3.1 (other than clause 3.1(j)) of the Scheme Implementation Agreement have been satisfied or waived in accordance with the Scheme Implementation Agreement.

2.3 Termination of Scheme Implementation Agreement

Without limiting any rights under the Scheme Implementation Agreement, in the event that the Scheme Implementation Agreement is terminated in accordance with its terms before 8.00 am on the Second Court Date, Resimac and Homeloans are each released from:

(a) any further obligation to take steps to implement the Scheme; and

(b) any liability with respect to the Scheme.

3. Scheme

3.1 Effective Date of the Scheme

Subject to clause 3.2, the Scheme will take effect on and from the Effective Date.

3.2 End Date

The Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date, or such later date as Resimac and Homeloans agree in writing.

4. Implementation of Scheme

4.1 Lodgement

If the Conditions are satisfied, Resimac must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving the Scheme as soon as possible after, and in any event by no later than 5.00 pm on the Business Day following, the date on which the Court approves the Scheme or such other Business Day as Resimac and Homeloans agree in writing.

4.2 Transfer of Scheme Shares

On the Implementation Date, subject to the provision of the Scheme Consideration in the manner contemplated by clauses 4.3, 4.4 and 5 and Homeloans having provided Resimac with written confirmation thereof, all of the Scheme Shares will, together with all rights and entitlements attaching to the Scheme Shares, be transferred to Homeloans without the need for any further act by any Scheme Shareholder (other than acts performed by Resimac or its directors as attorney or agent for Scheme Shareholders under this Scheme), by Resimac effecting a valid transfer or transfers of the Scheme Shares to Homeloans, by:

(a) Resimac delivering to Homeloans a completed share transfer form or forms (which may be a master transfer form) to transfer all of the Scheme Shares to Homeloans duly executed by Resimac as the attorney and agent of each Scheme Shareholder under clause 7.1 of this Scheme;

(b) Homeloans executing and delivering the share transfer form or forms to Resimac; and

(c) Resimac immediately after receipt of the share transfer form or forms under clause 4.2(b), entering, or procuring the entry of, the name and address of Homeloans in the Resimac Share Register as the holder of all of the Scheme Shares.

4.3 Provision of Scheme Consideration

(a) On the Implementation Date, in consideration for the transfer to Homeloans of each Scheme Share:

(i) Homeloans will issue to each Scheme Shareholder such number of New Homeloans Shares as that Scheme Shareholder is entitled to as Share Consideration under clause 5; and

(ii) Homeloans will procure the entry in the Homeloans Share Register of the name and address of each Scheme Shareholder in respect of the Homeloans Shares issued to them.

(b) Homeloans will send or procure the despatch to each Scheme Shareholder, no later than by midday on the Implementation Date, by prepaid post to their address (as recorded in the Resimac Share Register as at the Record Date), of an uncertificated holding statement for New Homeloans Shares issued to the Scheme Shareholder in accordance with this Scheme.

4.4 Joint holders

In the case of Scheme Shares held in joint names, any holding statements for Homeloans Shares to be issued to Scheme Shareholders will be issued in the names of the joint holders, and will be forwarded to the holder whose name appears first in the Resimac Share Register as at 5:00pm on the Record Date.

5. Scheme Consideration

5.1 Consideration

Subject to clause 5.2 and the Scheme becoming Effective, each Scheme Shareholder will be entitled to receive on the Implementation Date the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder at the Record Date.

5.2 Fractional entitlements and share splitting or division

(a) If the number of Scheme Shares held by a Scheme Shareholder at the Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration:

(i) comprising Homeloans Shares is such that a fractional entitlement to a Homeloans Share arises; or

(ii) comprising cash is such that a fractional entitlement to a cent arises,

then the entitlement of that Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of Homeloans Shares, and any such fractional entitlement of 0.5 or more will be rounded up to the nearest whole number of Homeloans Shares.

(b) If Homeloans is of the opinion (acting reasonably) that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 5.5(a)) have, before the Record Date, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding, Homeloans may give notice to those Scheme Shareholders:

(i) setting out their names and registered addresses as shown in the Resimac Share Register;

(ii) stating that opinion; and

(iii) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares will, for the purposes of the other provisions of the Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and registered addresses are set out in the notice will, for the purposes of the other provisions of the Scheme, be taken to hold no Scheme Shares. Homeloans in complying with the other provisions of the Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of the Scheme.

5.3 Binding instruction or notifications

Except for a Scheme Shareholder's tax file number, any binding instruction or notification between a Scheme Shareholder and Resimac relating to Scheme Shares as at the Record Date (including, without limitation, any instructions relating to payment of dividends or to communications from Resimac) will, from the Record Date, be deemed (except to the extent determined otherwise by Homeloans in its sole discretion) to be a similarly binding instruction or notification to, and accepted by Homeloans, in respect of the Homeloans Shares issued to the Scheme Shareholder until that instruction or notification is revoked or amended in writing addressed to Homeloans at the Homeloans share registry, provided that any such instructions or notifications accepted by Homeloans will apply to and in respect of the issue of Homeloans Shares only to the extent that they are not inconsistent with the other provisions of the Scheme.

5.4 Status of New Homeloans Shares

Homeloans covenants in favour of Resimac (in its own right and on behalf of each Scheme Shareholder) that:

(a) the New Homeloans Shares issued as Scheme Consideration will, on their issue, rank equally in all respects with all other Homeloans Shares.

(b) it will use best endeavours to ensure that the New Homeloans Shares issued as Scheme Consideration will be listed for quotation on the official list of the ASX with effect from the Business Day after the Effective Date (or such later date as ASX may require), initially on a deferred settlement basis and, with effect from the Business Day following the Implementation Date, on an ordinary (T+2) settlement basis; and

(c) on issue, each New Homeloans Share will be fully paid and, to the extent within the control of Homeloans, free from any Encumbrance.

6. Dealings in Resimac Shares

6.1 Dealings in Resimac Shares by Scheme Shareholders

For the purposes of establishing who are Scheme Shareholders, dealings in Resimac Shares will be recognised by Resimac provided that registrable transfers or transmission applications in respect of those dealings are received at the place where the Resimac Share Register is kept by 5:00 pm on the day which is the Record Date (in which case Resimac must register such transfers before 7:00 pm on that day), and Resimac will not accept for registration, or recognise for the purpose of establishing who are Scheme Shareholders, any transmission application or transfer in respect of Resimac Shares received after such time on the Record Date.

6.2 Resimac Share Register

Resimac will, until the Scheme Consideration has been paid and Homeloans has been entered in the Resimac Share Register as the holder of all of the Scheme Shares, maintain the Resimac Share Register in accordance with the provisions of this clause 6 and the Resimac Share Register in this form and the terms of this Scheme will solely determine entitlements to the Scheme Consideration.

6.3 Information to be made available to Homeloans

Resimac must procure that as soon as practicable following the Record Date, details of the names, registered addresses and holdings of Resimac Shares of every Scheme Shareholder shown in the Resimac Share Register at the Record Date are made available to Homeloans in such form as Homeloans may reasonably require.

6.4 Effect of share certificates and holding statements

As from the Record Date (and other than for Homeloans following the Implementation Date), all share certificates for the Scheme Shares will cease to have effect as documents of title, and each entry on the Resimac Share Register at that date will cease to have any effect other than as evidence of entitlement to the Scheme Consideration.

6.5 No disposals after Record Date

If the Scheme becomes Effective, a Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.

7. General Scheme provisions

7.1 Appointment of agent and attorney

Each Scheme Shareholder, without the need for any further act, irrevocably appoints Resimac as its agent and attorney for the purpose of:

(a) executing any document or form or doing any other act necessary to give effect to the terms of the Scheme including, without limitation, the execution of the share transfer(s) to be delivered under clause 4.2(a) and the giving of the Scheme Shareholders' consent under clause 7.3; and

(b) enforcing the Deed Poll against Homeloans,

and Resimac accepts such appointment. Resimac, as agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 7.1 to all or any of its directors and officers (jointly, severally, or jointly and severally).

7.2 Enforcement of Deed Poll

Resimac undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Homeloans (as applicable on behalf of and as agent and attorney for the Scheme Shareholders).

7.3 Scheme Shareholders' consent

Each Scheme Shareholder irrevocably:

(a) consents to Resimac and Homeloans doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme; and

(b) acknowledges that the Scheme binds Resimac and all of the Resimac Shareholders from time to time (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme).

7.4 Scheme Shareholder's agreements

Under the Scheme:

(a) each Scheme Shareholder to whom Homeloans Shares are to be issued in accordance with the Scheme:

(i) agrees to become a member of Homeloans and to have their name entered in the Homeloans Share Register; and

(ii) accepts the Homeloans Shares issued under the Scheme on the terms and conditions of the constitution of Homeloans and agrees to be bound by the constitution of Homeloans as in force from time to time in respect of the Homeloans Shares,

without the need for any further act by a Scheme Shareholder; and

(b) each Scheme Shareholder agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Homeloans in accordance with the terms of the Scheme.

7.5 Warranty by Scheme Shareholders

Each Scheme Shareholder is deemed to have warranted to Homeloans that all their Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of the transfer of them to Homeloans, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Shares together with any rights and entitlements attaching to such shares.

7.6 Title to Scheme Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares, as provided for in clauses 4 and 5, on and from the Implementation Date, Homeloans will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Resimac of Homeloans in the Resimac Share Register as the holder of the Scheme Shares.

7.7 Alterations and Conditions

Resimac may, by its counsel or solicitors, and with the consent of Homeloans, consent on behalf of all persons concerned, including a Scheme Shareholder, to any modification of or amendment to the Scheme which the Court thinks fit to impose.

7.8 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Resimac, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Resimac's registered office.

7.9 Inconsistencies

This Scheme binds Resimac and all Resimac Shareholders, and to the extent of any inconsistency, overrides the Resimac constitution.

7.10 Further assurance

Resimac will execute all documents and do all acts and things as may be necessary or expedient for the implementation of, and performance of its obligations under, the Scheme.

7.11 Stamp Duty

Homeloans will pay any stamp duty payable on the transfer by Scheme Shareholders of the Scheme Shares to Homeloans.

7.12 Governing Law

This Scheme is governed by the law applying in New South Wales. The parties submit to the non-exclusive jurisdiction of the courts of New South Wales, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings in connection with the Scheme.

Annexure B Deed Poll

CLAYTON UTZ

Deed Poll
(in respect of the Scheme)

Homeloans Limited
Homeloans

In favour of each registered holder of fully paid ordinary shares in the capital of Resimac Limited as at the Record Date

Clayton Utz
Lawyers
Level 15 1 Bligh Street
Sydney NSW 2000
GPO Box 9806
Sydney NSW 2001
Tel +61 2 9353 4000
Fax +61 2 8220 6700
www.claytonutz.com

Our reference 13530/14604/80172952

Contents

1. Definitions and interpretations 2

1.1 Definitions 2
1.2 Interpretation 2
1.3 Nature of deed poll 3

2. Conditions 3

2.1 Conditions Precedent 3
2.2 Termination 3
2.3 Consequences of termination 3

3. Compliance with Scheme obligations 3

3.1 Scheme Consideration 3
3.2 Official quotation of Homeloans Shares 4
3.3 Other obligations of Homeloans 4

4. Warranties 4

5. Continuing obligations 4

6. General 5

6.1 Stamp duty 5
6.2 Waiver 5
6.3 Variation 5
6.4 Cumulative rights 5
6.5 Assignment 6
6.6 Further action 6

7. Governing law and jurisdiction 6

Deed poll made on **2016**

Parties **Homeloans Limited ACN 095 034 003** of Level 5, 50 St Georges Terrace, Perth WA 6000 (**Homeloans**)

In favour of **Each registered holder of fully paid ordinary shares in the capital of Resimac Limited ACN 002 997 935 (Resimac)** on issue as at the Record Date (**Scheme Shareholders**)

Background

A. Resimac and Homeloans have entered into the Implementation Agreement.

B. Resimac has agreed in the Implementation Agreement to propose a scheme of arrangement between Homeloans and the Scheme Shareholders, the effect of which will be that Homeloans acquires all of the Scheme Shares from Scheme Shareholders for the Scheme Consideration, subject to the satisfaction of certain conditions.

C. In accordance with clause 4.2(h) of the Implementation Agreement, Homeloans is entering into this deed poll to covenant in favour of the Scheme Shareholders that it will observe and perform its obligations under the Scheme.

1. Definitions and interpretations

1.1 Definitions

In this deed poll:

(a) **Scheme** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between Resimac and the Scheme Shareholders, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed to by Homeloans and Resimac.

(b) **Implementation Agreement** means the scheme implementation agreement dated 20 July 2016 between Resimac and Homeloans (as amended) under which, amongst other things, Resimac has agreed to propose the Scheme to Scheme Shareholders, and each of Homeloans and Resimac has agreed to take certain steps to give effect to the Scheme.

(c) Capitalised terms have the meaning given to them in the Scheme, unless the context requires otherwise.

1.2 Interpretation

In this deed poll, unless the contrary intention appears or the context requires otherwise:

(a) the singular includes the plural and vice versa;

(b) each gender includes each other gender;

(c) references to persons includes references to individuals, corporations, other bodies corporate or bodies politic;

(d) references to paragraphs or clauses are to a paragraph or clause of this deed poll;

(e) a reference to a statute, regulation or agreement is to such a statute, regulation or agreement as from time to time amended;

(f) a reference to a person includes a reference to a person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

(g) if a time period is specified and dates from a given date or the day of an act or event, it is to be calculated exclusive of that day;

(h) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;

(i) unless otherwise stated, a reference to any time is a reference to that time in Sydney, Australia;

(j) a reference to “$” or "A$" is to the lawful currency of the Commonwealth of Australia;

(k) a reference to a document is to that document as varied, novated, ratified or replaced from time to time;

(l) the interpretation of a substantive provision is not affected by any heading; and

(m) "includes" in any form is not a word of limitation.

1.3 Nature of deed poll

Homeloans acknowledges that:

(a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and

(b) under the Scheme, each Scheme Shareholder appoints Resimac as its agent and attorney to enforce this deed poll against Homeloans.

2. Conditions

2.1 Conditions Precedent

Homeloans's obligations under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

If the Implementation Agreement is terminated or the Scheme does not become Effective on or before the End Date, the obligations of Homeloans under this deed poll automatically terminate and the terms of this deed poll will be of no further force or effect, unless Resimac and Homeloans otherwise agree in accordance with the Implementation Agreement.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies available to it, Homeloans is released from its obligations to further perform this deed poll except those obligations under clause 6.1 and any other obligations which by their nature survive termination.

3. Compliance with Scheme obligations

3.1 Scheme Consideration

Subject to clause 2, in consideration for the transfer to Homeloans of each Scheme Share, on the Implementation Date, Homeloans will provide to each Scheme Shareholder the Scheme

Consideration for each Scheme Share held by them in accordance with the terms of the Scheme.

3.2 Official quotation of Homeloans Shares

Homeloans will seek confirmation from ASX that the Homeloans Shares will be listed for quotation on the official list of ASX, with effect from the Business Day after the Effective Date (or such later date as ASX may require), initially on a deferred settlement basis and, with effect from the Business Day following the Implementation Date, on an ordinary (T+2) settlement basis.

3.3 Other obligations of Homeloans

Subject to clause 2, Homeloans:

(a) must procure that all obligations of Homeloans to pay the Scheme Consideration to each Scheme Shareholder in accordance with clauses 4.2, 4.3 and 5 of the Scheme are met; and

(b) covenants in favour of the Scheme Shareholders to perform all other obligations that are attributed to it under the Scheme, as if named as a party to the Scheme.

4. Warranties

Homeloans represents and warrants that:

(a) it is a validly existing corporation registered under the laws of its place of incorporation;

(b) the execution and delivery by it of this deed poll has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority to perform or cause to be performed its obligations under this deed poll and to carry out or cause to be carried out the transactions contemplated by this deed poll; and

(c) this deed poll will constitute legally, valid and binding obligations on it enforceable in accordance with its terms (subject to any necessary stamping) and does not conflict with or result in a breach of or default under:

(i) the constitution or equivalent constituent documents of it or any of its Related Bodies Corporate (as defined in the Implementation Agreement); or

(ii) any writ, order or injunction, judgment, law, rule or regulation to which it is party, or by which it is bound.

5. Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

(a) Homeloans has fully performed its obligations under this deed poll; or

(b) the earlier termination of this deed poll under clause 2.2.

6. General

6.1 Stamp duty

Homeloans will:

(a) pay or procure the payment of all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll; and

(b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 6.1(a).

6.2 Waiver

(a) Waiver of any right arising from a breach of this deed poll or of any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the party granting the waiver.

(b) A failure or delay in exercise, or partial exercise, of:

(i) a right arising from a breach of this deed poll; or

(ii) a right, power, authority, discretion or remedy created or arising upon default under this deed poll,

does not result in a waiver of that right, power, authority, discretion or remedy.

(c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this deed poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.

(d) A party may not rely on any conduct of another party as a defence to the exercise of a right, power, authority, discretion or remedy by that other party.

(e) This clause 6.2 may not itself be waived except in writing.

6.3 Variation

A provision of this deed poll may not be varied unless:

(a) before the Second Court Date, the variation is agreed to in writing by Resimac and Homeloans; or

(b) on or after the Second Court Date, the variation is agreed to in writing by Resimac and Homeloans, and is approved by the Court,

in which event Homeloans will enter into a further deed poll in favour of the Scheme Shareholders giving effect to such amendment or variation.

6.4 Cumulative rights

The rights, powers and remedies of Homeloans and each Scheme Shareholder under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by the law independently of this deed poll.

6.5 Assignment

The rights and obligations of Homeloans and the rights of each Scheme Shareholder under this deed poll are personal and must not be assigned, charged or otherwise dealt with at law or in equity.

6.6 Further action

Homeloans will promptly do all things and execute and deliver all further documents required by law to give effect to this deed poll.

7. Governing law and jurisdiction

(a) This deed poll is governed by the law applying in New South Wales.

(b) Homeloans irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to for any proceedings in connection with this deed poll.

Executed as a deed poll.

Executed by **Homeloans Limited ACN 095 034 003** in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director	Signature of company secretary/director
Full name of director	Full name of company secretary/director

CLAYTON UTZ

Escrow Deed

in relation to [name] (Holder)

Clayton Utz
Lawyers
Level 15 1 Bligh Street
Sydney NSW 2000
GPO Box 9806
Sydney NSW 2001
Tel +61 2 9353 4000
Fax +61 2 8220 6700
www.claytonutz.com

Our reference 13530/18470/80172952

Contents

1. Definitions and interpretation 1

1.1 Definitions 1
1.2 Interpretation 3
1.3 Compliance with ASX Listing Rules 4
1.4 No Controller 5

2. Condition Precedent 5

3. Escrow 5

3.1 Holder restrictions 5
3.2 Controller restrictions 5
3.3 Escrow restrictions 6
3.4 Notice by Holder 6
3.5 Notice by Controller 6
3.6 Dividends and voting rights 6
3.7 Takeovers, mergers and reorganisations 6
3.8 Reorganisation 7
3.9 Other exceptions 7

4. Termination 8

5. Warranties and acknowledgement 8

5.1 Giving of warranties 8
5.2 Holder warranties and representations 8
5.3 Controller warranties and representations 9
5.4 Survival of warranties and representations 10

6. Consequences of breaching this deed 10

7. Capacity of Holder 10

8. Notices and other communications 11

8.1 Form 11
8.2 Delivery 11
8.3 When effective 11
8.4 Receipt - post 11
8.5 Receipt - email 12

9. General provisions 12

9.1 Discretion in exercising rights 12
9.2 Partial exercising of rights 12
9.3 No liability for loss 12
9.4 Variation and waiver 12
9.5 Amendment 12
9.6 Further assurances 12
9.7 Survival 12
9.8 Assignment 12
9.9 Counterparts 12
9.10 Governing law 13
9.11 PPSA further steps 13
9.12 Entire agreement 13
9.13 Remedies 13
9.14 Inconsistent agreements 13
9.15 Severability 13
9.16 Successors and assigns 13
9.17 Fractional calculation 14

Schedule 1 - Details 1

Escrow Deed

Date

Parties

Homeloans Limited ACN 095 034 003 of Level 5, 50 St George's Terrace Perth, Western Australia 6000 (**Company**)

The **Holder** means the person whose name and address is set out in part 1 of Schedule 1 (**Holder**)

A **Controller** means the person whose name and address is set out in part 2 of Schedule 1 (**Controller**)

Background

A. The Holder undertakes to the Company to hold the Escrow Shares pursuant and subject to the terms of this deed.

B. The Controller undertakes to the Company to hold its Controller Interests pursuant and subject to the terms of this deed.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

Affiliate means any other Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Holder (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with") as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise) and Affiliated has the correlative meaning.

Affiliated Fund means each corporation, trust, limited liability company, general or limited partnership or other entity under common control with the Holder or that receives investment advice from the investment adviser to the Holder or any of the investment adviser's Affiliates.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the financial market conducted by ASX Limited, as the context requires.

ASX Listing Rules means the listing rules of ASX.

ASX Settlement means ASX Settlement Pty Limited (ABN 49 008 504 532).

ASX Settlement Operating Rules means the operating rules of ASX Settlement.

Board means the board of directors of the Company.

Business Day means a day in Sydney on which:

(a) ASX is open for trading in securities; and

(b) banks are open for general banking business.

Control means, in respect of a person, the capacity to determine the outcome of decisions in relation to the financial and operating policies of that person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise (and, without limiting the previous words, a person is deemed to Control another person if it holds, directly or indirectly, together with other persons it Controls, the beneficial interest in more than 50% of the total voting rights in the other person) and **Controlled** and **Controlling** have corresponding meanings.

Controller Interests means any securities, any legal, beneficial, economic interest or other interests in the Escrow Shares or in the Holder or in any Transferee.

Corporations Act means the Corporations Act 2001 (Cth).

Deal means:

(a) sell, assign, transfer or otherwise dispose of, or agree or offer to sell, assign, transfer or otherwise dispose of;

(b) enter into any option which, if exercised, enables or requires the relevant security holder to sell, assign, transfer or otherwise dispose of;

(c) create, agree to, or offer to, create, or permit to be created any Security Interest in or over; or

(d) do or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of,

and **Dealing** has a corresponding meaning.

Escrow Period means the period commencing on the date on which the Escrow Shares are first quoted on the ASX until 4.15pm on the Release Date.

Escrow Shares means [insert] number of Shares issued and allotted by the Company to the Holder.

Group means the Company and all of its Subsidiaries from time to time and **Group Company** means any one of them.

Governmental Agency means any government (in any jurisdiction, whether federal, state, territorial or local), or representative of a government (including any minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government or in which any government is interested) or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity in Australia. It includes without limitation, ASIC, any non-government regulatory authority including the ASX and any other stock exchange.

Holding Lock has the meaning given in section 2 of the ASX Settlement Operating Rules.

Issuer Sponsored Subregister has the meaning given to that term in the settlement rules of ASX Settlement.

Person means any individual, partnership, corporation, company, association, trust, joint venture, limited liability company, unincorporated organisation, entity or division.

PPSA means the Personal Property Securities Act 2009 (Cth).

PPSA Security Interest means a "security interest" within the meaning of the PPSA.

Release Date means the earlier of 31 August 2017 and the date ending twelve (12) months from the relevant the date on which the Escrow Shares are first quoted on the ASX.

Resimac means Resimac Limited ACN 002 997 935.

Scheme Implementation Agreement means the scheme implementation agreement between the Company and Resimac dated 20 July 2016.

Security Interest means an interest or power:

(a) reserved in or over an interest in any securities including any retention of title;

(b) created or otherwise arising in or over any interest in any securities under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, but is not limited to:

(c) any agreement to grant or create any of the above; or

(d) a PPSA Security Interest or any other encumbrance.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means the share registry engaged by the Company to administer and manage its register of members.

Subsidiary has the meaning given in the Corporations Act.

Takeover Bid means a takeover bid for Shares under Chapter 6 of the Corporations Act.

Transferee has the meaning given in clause 3.9.

Voluntary Escrow Deed means a voluntary escrow deed entered into in connection with the Scheme Implementation Agreement.

1.2 Interpretation

In this deed

(a) headings are for convenience only and do not affect interpretation,

and unless the context indicates a contrary intention:

(b) a reference to conduct includes an omission, statement and undertaking, whether or not in writing;

(c) a reference to any party includes that party's executors, administrators, successors, substitutes and assigns, including any person taking by way of novation;

(d) a reference to this deed or to any other agreement, deed or document includes, respectively, this deed or that other agreement, deed or document as amended, novated, supplemented, varied or replaced from time to time;

(e) words importing the singular include the plural (and vice versa), words denoting a given sex include the other sex, and words denoting individuals include corporations (and vice versa);

(f) the word "including" or any other form of that word is not a word of limitation;

(g) references to "applicable law" include all laws and regulations of jurisdictions applicable to a Group Company or other entities, as the case may be (including the Corporations Act and any other laws and regulations of a jurisdictions outside Australia), and rules, policies, official directives, orders or requirements of any Government Agency, including the ASX Listing Rules, ASX Settlement Operating Rules and the applicable listing requirements of the ASX, except to the extent compliance is modified, waived or exempted in favour of a person in the relevant circumstances;

(h) references to any legislation or to any section or provision of any legislation includes any statutory modification or re-enactment or any statutory provision substituted for it, and ordinances, by laws, regulations, and other statutory instruments issued under any legislation, and references to other applicable laws includes any modifications or provisions substituted for them by a competent Government Agency;

(i) references to parties, clauses, schedules, exhibits or annexures are references to parties, clauses, schedules, exhibits and annexures to or of this deed, and a reference to this deed includes any schedule, exhibit and annexure;

(j) if any day appointed or specified by this deed for the payment of any money or doing of any thing falls on a day which is not a Business Day, the day so appointed or specified will be deemed to be the next Business Day;

(k) references to currency are references to Australian currency;

(l) references to payments to any party to this deed will be construed to include payments to another person upon the direction of such party;

(m) all payments to be made under this deed must be made by unendorsed bank cheque or other immediately available funds and in Australian currency; and

(n) all references to time are to the time in Sydney (unless otherwise indicated).

1.3 Compliance with ASX Listing Rules

For so long as the Company is listed on the official list of the ASX:

(a) notwithstanding anything contained in this deed, if the ASX Listing Rules prohibit an act being done, that act must not be done;

(b) nothing contained in this deed prevents an act being done that the ASX Listing Rules require to be done;

(c) if the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not be done (as the case may be);

(d) if the ASX Listing Rules require this deed to contain a provision and it does not contain such a provision, this deed is deemed to contain that provision;

(e) if the ASX Listing Rules require this deed not to contain a provision and it contains such a provision, this deed is deemed not to contain that provision; and

(f) if any provision of this deed is or becomes inconsistent with the ASX Listing Rules this deed is deemed not to contain that provision to the extent of the inconsistency.

1.4 No Controller

For the avoidance of doubt, if, by the time this deed has been entered into by the Holder and the Company, no Controller details have been inserted in Part 2 of Schedule 1 and no person has executed this deed as the Controller, the parties acknowledge and agree that:

(a) no person enters into this deed in the capacity of the Controller;

(b) all rights, obligations and liabilities that would otherwise accrue to or in relation to the Controller and Controller Interests pursuant to this deed, do not accrue in any person;

(c) all references in this deed to the parties to this deed mean the Holder and the Company only; and

(d) this deed commences and continues in full effect according to its terms (except as expressly provided in this clause 1.4) between the Holder and the Company.

2. Condition Precedent

The undertakings of the Holder and the Controller pursuant to this deed are conditional upon quotation of the Escrow Shares on ASX occurring.

3. Escrow

3.1 Holder restrictions

During the Escrow Period, the Holder agrees that it will not:

(a) Deal with;

(b) Deal in any legal, beneficial or economic interest or right in respect of; or

(c) do, or omit to do, any act if the act or omission would (or would be likely to) have the effect of resulting in a Dealing with, or in any interest or right in respect of,

any or all of the Escrow Shares.

3.2 Controller restrictions

During the Escrow Period, the Controller agrees that it will not:

(a) Deal with;

(b) Deal in any legal, beneficial or economic interest or right in respect of; or

(c) do, or omit to do, any act if the act or omission would (or would be likely to) have the effect of resulting in a Dealing with, or in any interest or right in respect of,

any or all of its Controller Interests. In particular, the Controller and Holder must not do, or omit to do, during the Escrow Period any act that would result in (or would likely result in) the reconfiguration or restructure of the Holder, including any act or omission that would (or would likely) result in a person:

(d) who did not have Control of the Holder (as at the date of this deed) gaining Control of the Holder; or

(e) having Control of the Holder (as at the date of this deed) ceasing to have Control of the Holder.

3.3 Escrow restrictions

The parties acknowledge and agree that:

(a) as soon as practicable following the issue and allotment of the Escrow Shares, the Escrow Shares will be registered and held for the Holder on the Issuer Sponsored Subregister;

(b) the Company will apply a Holding Lock on the Escrow Shares as soon as practicable after registration of the Escrow Shares on the Issuer Sponsored Subregister and the Holder agrees to the application of the Holding Lock; and

(c) the Company will do all things necessary to ensure that the Holding Lock is released (including notifying ASX in accordance with ASX Listing Rule 3.10A and procuring release of the Holding Lock by the Share Registry):

(i) to the extent necessary to permit Dealings of the Escrow Shares permitted by this deed; and

(ii) in full at the conclusion of the Escrow Period.

3.4 Notice by Holder

If the Holder becomes aware:

(a) that any action, event or circumstance referred to in clause 3.1 has occurred, or is likely to occur, during the Escrow Period; or

(b) of any matter which is likely to give rise to any action, event or circumstance referred to in clause 3.1 during the Escrow Period,

it must notify the Company as soon as practicable after becoming aware of the action, event, circumstance or matter, as applicable, providing full details.

3.5 Notice by Controller

If the Controller becomes aware:

(a) that any action, event or circumstance referred to in clause 3.2 has occurred, or is likely to occur, during the Escrow Period; or

(b) of any matter which is likely to give rise to any action, event or circumstance referred to in clause 3.2 during the Escrow Period,

it must notify the Company as soon as practicable after becoming aware of the action, event, circumstance or matter, as applicable, providing full details.

3.6 Dividends and voting rights

The terms of this deed will have no effect on any rights of the Holder to receive or participate in dividends, any rights issue, bonus issue, return of capital or other distributions in connection with the Escrow Shares or to exercise voting rights in respect of the Escrow Shares.

3.7 Takeovers, mergers and reorganisations

Clauses 3.1 and 3.2 will cease to apply to the extent necessary to allow:

(a) the Holder to accept an offer made under a Takeover Bid for any of the Escrow Shares, provided that:

(i) without limiting clause 3.7(a)(ii), holders of not less than 50% of the Shares to which the Takeover Bid relates that are not subject to a Voluntary Escrow Deed have accepted the Takeover Bid; and

(ii) the Takeover Bid is unconditional or all conditions to the Takeover Bid have been satisfied or waived;

(b) the Holder to tender any of the Escrow Shares into a bid acceptance facility established in connection with a Takeover Bid, provided that holders of not less than 50% of the Shares to which the Takeover Bid relates that are not subject to a Voluntary Escrow Deed have either accepted the Takeover Bid or tendered (and not withdrawn) their Shares into the bid acceptance facility; or

(c) the Escrow Shares to be transferred or cancelled as part of an equal Share buyback or equal return of capital or other similar pro rata reorganisation, a merger being implemented by way of a scheme of arrangement or an acquisition of all Shares, which has in any such case received all necessary approvals, including all such necessary approvals by shareholders of the Company and courts,

provided that, if for any reason any or all Escrow Shares are not transferred or cancelled in accordance with a Takeover Bid, scheme of arrangement or other transaction described in clause 3.7(a), 3.7(b) or 3.7(c), then the Holder agrees that the restrictions applying to the Escrow Shares under this deed (including under clauses 3.1, 3.2 and 3.3) will continue to apply and without limiting the foregoing, the Holding Lock will be reapplied to all Escrow Shares not so transferred or cancelled.

3.8 Reorganisation

Clauses 3.1 and 3.2 will cease to apply to the extent necessary to allow a Dealing in Escrow Shares or Controller Interests to enable the Holder or the Controller to undertake a reorganisation, subject to:

(a) the prior consent of the Company in writing;

(b) the Holder, or if a person enters into this deed in the capacity of the Controller, the Controller, retaining ultimate control of the Escrow Shares: and

(c) any new holder of the Escrow Shares or Controller Interests agreeing to be bound by a deed in substantially the same terms as this deed (and the Controller agreeing not to dispose of any Controller Interests).

3.9 Other exceptions

Clauses 3.1 and 3.2 will cease to apply to the extent necessary to allow a Dealing in Escrow Shares or Controller Interests:

(a) if required by applicable law or pursuant to an order of a court of competent jurisdiction compelling any Escrow Shares or Controller Interests to be Dealt with;

(b) (if the Holder or Controller is a natural person) following the death, serious disability or permanent incapacity through ill health of the Holder or Controller (which for serious disability or permanent incapacity through ill health shall be deemed to be so for any absence of at least six months in a 12 month period or as otherwise determined by the Board, acting reasonably); or

(c) if the Dealing constitutes a disposal of, but not the creation of a Security Interest in, some or all of the Escrow Shares or Controller Interests to:

(i) a company wholly-owned by the Holder;

(ii) a trust in relation to which the Holder is the beneficiary; or

(iii) an Affiliate or Affiliated Fund of the Holder,

(each a **Transferee**), where the Transferee also enters into an escrow arrangement with the Company in respect of those Escrow Shares on substantially the same terms as this Deed for the remainder of the relevant Escrow Period (and the Controller agrees not to dispose of any Controller Interests).

4. Termination

(a) This deed terminates with immediate effect and without the action of any party upon the expiry of the Escrow Period.

(b) For the avoidance of doubt, the Escrow Shares will no longer be escrowed under the terms of this deed at the expiration of the Escrow Period.

(c) The Company will procure that the Share Registry releases the Holding Lock in respect of the Escrow Shares, if still in effect, as soon as possible following termination of this deed. This clause 4(c) will survive termination of this deed.

5. Warranties and acknowledgement

5.1 Giving of warranties

Each of the warranties and representations in this clause 5 is given by the Holder or the Controller, as applicable, in favour of the Company:

(a) as at the date of this deed, unless a later date is specified in clause 5.2 or 5.3; and

(b) from the applicable date under clause 5.1(a), at all times until expiry of the applicable Escrow Period.

The warranties and representations in this clause 5 are given in respect of any and all Escrow Shares from time to time during the Escrow Period.

5.2 Holder warranties and representations

The Holder warrants and represents the following:

(a) prior to the Escrow Period it has not done, or omitted to do, any act which would result in a Dealing in the Escrow Shares which will take effect during the Escrow Period;

(b) it has full power and authority, without the consent of any other person, to enter into and perform its obligations under this deed (including, if the Holder has entered into this deed as a trustee, under the trust deed for the relevant trust and any other constituent document of the relevant trust);

(c) it has taken all necessary action to authorise the execution, delivery and performance of this deed in accordance with its terms;

(d) this deed constitutes a legal, valid and binding obligation on it and, subject to any necessary stamping and registration, is enforceable in accordance with its terms;

(e) the execution, delivery and performance by the Holder of this deed does not and will not violate, breach or result in a contravention of:

(i) any applicable law, regulation or authorisation;

(ii) its constitution or other constituent documents, if any (if the Holder is a body corporate), and if the Holder is a trustee, the trust deed for the relevant trust; or

(iii) any agreement, undertaking, Security Interest or document which is binding on the Holder;

(f) it holds, or will hold, upon issue and allotment of those Shares by the Company in accordance with the Scheme Implementation Agreement, the Escrow Shares unless the Escrow Shares are Dealt with as expressly permitted by this deed;

(g) the Escrow Shares of the Holder are free from all Security Interests and other third party interests or rights (other than under the Company's constitution to the extent it is on foot) and will remain so during the relevant Escrow Period except to the extent permitted under this deed;

(h) if the Holder is a trustee, it is the sole trustee of the relevant trust and, to the best of its knowledge and belief, there is no proposal to remove it as trustee of the trust;

(i) if the Holder is a trustee:

(i) the Holder has the right to be fully indemnified out of the assets of the relevant trust in respect of any liability arising under, or in connection with, this deed and the right has not been modified, released or diminished in any way. The assets of the trust are sufficient to satisfy that right in full and that Holder has not released or disposed of its equitable lien over that trust; and

(ii) the relevant trust has not been terminated and there is no effective proposal or requirement to wind up, deregister, terminate, reconstitute or resettle the trust; and

(j) if no person enters into this deed in the capacity of the Controller, no person (other than the Holder) has the ability to directly or indirectly control the exercise of a power to dispose of the Escrow Shares (including the ability to Control the Holder or control the Holder's ability to exercise such power).

5.3 Controller warranties and representations

The Controller warrants and represents the following:

(a) prior to the Escrow Period it has not done, or omitted to do, any act which would result in a Dealing in any Controller Interests which will take effect during the Escrow Period;

(b) it has full power and authority, without the consent of any other person, to enter into and perform its obligations under this deed (including, if the Controller has entered into this deed as a trustee, under the trust deed for the relevant trust);

(c) it has taken all necessary action to authorise the execution, delivery and performance of this deed in accordance with its terms;

(d) this deed constitutes legal, valid and binding obligations on it and, subject to any necessary stamping and registration, is enforceable in accordance with its terms;

(e) the execution, delivery and performance by the Controller of this deed does not and will not violate, breach or result in a contravention of:

(i) any applicable law, regulation or authorisation;

(ii) its constitution or other constituent documents, if any (if the Controller is a body corporate), and if the Controller is a trustee, the trust deed for the relevant trust; or

(iii) any agreement, undertaking, Security Interest or document which is binding on the Controller;

(f) the Controller Interests are free from all Security Interests and other third party interests or rights (other than under the Company's constitution to the extent it is on foot) and will remain so during the relevant Escrow Period except to the extent permitted under this deed;

(g) if the Controller is a trustee, the trustee is the sole trustee of the relevant trust and there is no proposal to remove the Controller as trustee of the relevant trust;

(h) if the Controller is a trustee:

(i) the Controller has the right to be fully indemnified out of the assets of the relevant trust in respect of any liability arising under, or in connection with, this deed and the right has not been modified, released or diminished in any way. The assets of the relevant trust are sufficient to satisfy that right in full; and

(ii) the relevant trust has not been terminated and there is no effective proposal or requirement to wind up, deregister, terminate, reconstitute or resettle the relevant trust; and

(i) no person (other than the Holder or Controller) has the ability to directly or indirectly control the exercise of a power to dispose of the Escrow Shares (including the ability to Control the Holder or Controller or control the Holder or Controller's ability to exercise such power).

5.4 Survival of warranties and representations

The warranties and representations in this clause 5 survive termination of this deed.

6. Consequences of breaching this deed

(a) If the Holder or the Controller breaches this deed, or the Company believes that a prospective breach of this deed may occur, each of the following applies:

(i) the Company may take the steps necessary to enforce the deed, or to rectify the breach, as soon as practicable after becoming aware of the breach or prospective breach; and

(ii) the Company may, in addition to its other rights and remedies, refuse to acknowledge, deal with, accept or register any sale, assignment or other Dealing in any Escrow Shares.

(b) The parties agree that damages would be an insufficient remedy for a breach or prospective breach of this deed by the Holder or the Controller and the Holder and the Controller agrees that the Company is entitled to seek and obtain an injunction or specific performance to enforce the Holder's or the Controller's (as applicable) obligations under this deed, without proof of actual damage and without prejudice to any of the Company's other rights or remedies.

7. Capacity of Holder

If a Holder or Controller has entered into this deed as a trustee (**Trustee**):

(a) notwithstanding any other provision of this deed including any provision expressed to prevail over this clause 7 but subject to clause 7(c), that Holder or Controller enters into this deed only in its capacity as trustee of the relevant trust (**Trust**) and in no other capacity. A liability arising under or in connection with this deed can be enforced against that Holder or Controller only to the extent that it can be satisfied out of the property of the Trust for which that Holder or Controller is actually indemnified for the liability. That Holder or Controller will exercise its rights of indemnification in order to satisfy its obligations under this deed;

(b) subject to clause 7(c) a party to this deed may not sue that Holder or Controller in any capacity other than as Trustee in respect of the Trust, including seeking the appointment to that Holder or Controller of a receiver (except in relation to property of the trust), liquidator, administrator or any similar person; and

(c) the provisions of this clause 7 will not apply to any obligation or liability of that Holder or Controller to the extent that it is not satisfied because under the relevant Trust deed or by operation of law, there is a reduction to the extent, or elimination of, that Holder's or Controller's right of indemnification out of the assets of the Trust, or the right does not exist at all, as a result of the Holder's or Controller's fraud, negligence, improper performance of duties or breach of trust.

8. Notices and other communications

8.1 Form

Unless expressly stated otherwise in this deed, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed must be in writing, signed by an authorised officer of the sender and marked for the attention of the person identified or referred to in Schedule 1 or, if the recipient has notified otherwise, then marked for attention in the way last notified.

8.2 Delivery

They must be:

(a) left at the relevant address set out or referred to in Schedule 1;

(b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in Schedule 1;

(c) sent by email to the email address set out or referred to in Schedule 1; or

(d) given in any other way permitted by law.

However, if the intended recipient has notified a changed postal address or changed email address, then the communication must be to that address or number.

8.3 When effective

They take effect from the time they are received unless a later time is specified.

8.4 Receipt - post

If sent by post, they are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

8.5 Receipt - email

If sent by email, unless the party sending the email knows or reasonably ought to suspect that the email and the attached communication were not delivered to the addressee's domain specified in the email address notified for the purposes of this clause 8, 24 hours after the email was sent.

9. General provisions

9.1 Discretion in exercising rights

A party or other person referred to in this deed (including the Board) may, in its absolute discretion, give conditionally or unconditionally or withhold any approval, consent, resolution or determination under this deed, unless this deed expressly states otherwise.

9.2 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

9.3 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this deed.

9.4 Variation and waiver

A provision of this deed or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.

9.5 Amendment

This deed may be amended only by a document signed by all parties.

9.6 Further assurances

Each of the Holder and the Controller undertakes to, and to procure that all persons under its Control, do all things necessary or desirable to effect the transactions contemplated by this deed as expeditiously as possible, including executing, delivering or completing any form, document or instrument necessary or desirable to give effect to any of the transactions contemplated by this deed.

9.7 Survival

The representations, warranties, undertakings and indemnities given by a party under this deed will not merge or be extinguished on expiry of the Escrow Period.

9.8 Assignment

The Holder and the Controller must not transfer, assign, create an interest in, or deal in any other way with, any of their respective rights or obligations under this deed without the prior written consent of the other parties.

9.9 Counterparts

This deed may consist of a number of copies, each signed by one or more parties to this deed. If so, the signed copies are treated as making up the one document and the date on which the last counterpart is executed will be the date of this deed.

9.10 Governing law

This deed and the transactions contemplated by this deed are governed by the law in force in New South Wales. Each party submits to the non-exclusive jurisdiction of the courts of New South Wales.

9.11 PPSA further steps

If the Company determines that this deed results in the creation of a PPSA Security Interest, the Holder and the Controller agrees to do anything (such as obtaining consents, signing and producing documents, getting documents completed and signed and supplying information) which the Company reasonably asks and considers necessary for the purposes of:

(a) ensuring that the PPSA Security Interest is enforceable, perfected and otherwise effective;

(b) enabling the Company to apply for any registration, or give any notification, in connection with the PPSA Security Interest so that the PPSA Security Interest has the priority required by the Company; and

(c) enabling the Company to exercise rights in connection with the PPSA Security Interest.

9.12 Entire agreement

This deed and the documents referred to in this deed are the entire agreement of the parties about the subject matter of this deed and supersede any representations, negotiations, arrangements, understandings or agreements and all other communications.

9.13 Remedies

The rights, remedies and powers of the parties under this deed are cumulative and not exclusive of any rights, remedies or powers provided to the parties by law.

9.14 Inconsistent agreements

If a provision of this deed is inconsistent with a provision of any other agreement, document, representation, negotiation, arrangement or understanding between the Holder and the Controller, or between the Holder or the Controller and any other person, the provision of this deed prevails.

9.15 Severability

If the whole or any part of a provision of this deed is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this deed has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this deed or is contrary to public policy.

9.16 Successors and assigns

This deed is binding on, and has effect for the benefit of, the parties and their respective successors and permitted assigns and, in the case of the Holder or the Controller, its / his / her personal representatives and any trustee, receiver or other person lawfully acting on its / his / her behalf.

9.17 Fractional calculation

If any calculation required to be undertaken under this deed results in a fractional number of Shares, the fractional number will be rounded up to the nearest whole number of Shares.

Schedule 1 - Details

Part 1 - Holder

Name:	***[insert]***
Address:	***[insert]***
Email:	***[insert]***
Attention:	***[insert]***

Part 2 - Controller

Name:	***[insert]***
Address:	***[insert]***
Email:	***[insert]***
Attention:	***[insert]***

Part 3 - Company

Name:	Homeloans Limited
Address:	***[insert]***
Email:	***[insert]***
Attention:	***[insert]***

Executed as a deed.

Company

Executed by **Homeloans Limited ACN 095 034 003** in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director	Signature of company secretary/director
Full name of director	Full name of company secretary/director

Holder

If the Holder is an individual and is signing personally:

Executed by _____(name of Holder)
in the presence of:

_____ | _____
Signature of witness | Signature

_____
Full name of witness

If the Holder is an individual or an entity and is signing by power of attorney: ***[Note: If the Holder signs by power of attorney, please return this document with the relevant power of attorney]***

Executed for and on behalf of _____(name of Holder)

by its attorney under a power of attorney dated _____
in the presence of:

_____ | _____
Signature of witness | Signature of attorney who declares that the attorney has not received any notice of the revocation of the power of attorney

_____ | _____
Full name of witness | Full name of attorney

If the Holder is an entity and is signing by authorised signatory: ***[Note: If the Holder signs by authorised signatory, please return this document with the relevant authority]***

Executed for and on behalf of _____(name of Holder)
by its authorised signatory in the presence of:

_____ | _____
Signature of witness | Signature of authorised signatory

_____ | _____
Full name of witness | Full name of authorised signatory

If the Holder is an entity and is signing either by a sole director / company secretary, or by a director and a company secretary / director:

Executed by _____(name of Holder)

_____ | _____
Signature of director | Signature of company secretary/director

_____ | _____
Full name of director | Full name of company secretary/director

Controller

If the Controller is an individual and is signing personally:

Executed by _____(name of Controller)
in the presence of:

_____	_____
Signature of witness	Signature
_____	
Full name of witness	

If the Controller is an individual or an entity and is signing by power of attorney: ***[Note: If the Controller signs by power of attorney, please return this document with the relevant power of attorney]***

Executed for and on behalf of _____(name of Controller)

by its attorney under a power of attorney dated _____
in the presence of:

_____	_____
Signature of witness	Signature of attorney who declares that the attorney has not received any notice of the revocation of the power of attorney
_____	_____
Full name of witness	Full name of attorney

If the Controller is an entity and is signing by authorised signatory: ***[Note: If the Controller signs by authorised signatory, please return this document with the relevant authority]***

Executed for and on behalf of _____(name of Controller)
by its authorised signatory in the presence of:

_____	_____
Signature of witness	Signature of authorised signatory
_____	_____
Full name of witness	Full name of authorised signatory

If the Controller is an entity and is signing either by a sole director / company secretary, or by a director and a company secretary / director:

Executed by _____(name of Controller)

_____	_____
Signature of director	Signature of company secretary/director
_____	_____
Full name of director	Full name of company secretary/director

Homeloans

Homeloans Limited
ABN 55 095 034 003

HOM
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 264 082
(outside Australia) +61 3 9415 4391

Proxy Form

XX

Vote online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 9.00am (AWST) Sunday, 9 October 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

This Document is printed on **Greenhouse Friendly**™ ENVI Laser Carbon Neutral Paper

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Homeloans Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Homeloans Limited to be held at Level 32, 44 St Georges Terrace, Perth, Western Australia on Tuesday, 11 October 2016 at 9.00am (AWST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Approval of issue of Scheme Consideration	☐	☐	☐
Resolution 2	Election of Director - Mr Warren McLeland	☐	☐	☐
Resolution 3	Election of Director - Ms Susan Hansen	☐	☐	☐
Resolution 4	Election of Director - Mr Michael Jefferies	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	**Securityholder 2**	**Securityholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

Contact Name _____ **Contact Daytime Telephone** _____ **Date** / /