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### **CHAIRMAN'S AGM ADDRESS**

So as a generalisation I would like to say we are still completely convinced of the long-term success of the industry. You will see here a slide of the dramatic growth of the sector in the US and UK. Since the industry really commenced with significance in 2010 there has been a rapid and continued increase in volumes. It is now well accepted that the volumes in these two markets alone should be greater than 23 billion during calendar 2015. If we were to add Asia to these figures they would be even more dramatic. It is fair to say in Asia however this is predominantly influenced by China where volumes are now greater than in the US or UK. I also include a slide of the main participants globally in these markets. You can see that marketplace lending is now a global industry and with large volumes transacting on a daily basis. It is no longer a case of disruption but more an issue of determining the successful business models developing across the world.

We believe there are four main drivers of this growth. Firstly there is the issue of data availability and data analytics. Not due simply to positive credit reporting finally arriving in Australia, but globally with the availability of better data, greater bandwidth and speed it is now possible to make faster, more informed and more user friendly credit decisions almost instantly. This is not to say that we as a business are believers as yet in lending purely on algorithms and with no human intervention but there is no doubt that speed, accuracy and efficiency are rapidly improving. At this stage we believe new entrants are at an advantage without all the investment in aging and slow infrastructure and systems.

Secondly we see the relative cost efficiencies of the new business models. Without the overhead costs of large branch networks, again aging systems and drain from other business units and management it is estimated that online Direct lenders are about 60% more efficient than traditional businesses. This is exacerbated when businesses use their retail networks and customers to support and subsidise margin constrained institutional and investment networks.

Thirdly is the issue of customer experience. When developing new businesses and systems it is possible to design for the individual user and utilise new technologies. This is then reflected in a dramatic improvement on Net Promoter Scores for these models. Although we have as yet done direct analysis of our customer base, as a general statement the NPS for the Marketplace sector is well ahead of banks, community banks, credit unions and building societies participating in the prime lending markets.

Lastly is the issue of what we call "two sided fairness". As the marketplace models are able to run more efficient models without all the built in costs and redundancies we are able to offer better pricing to borrowers and better returns to lenders.

This "fairness " can be seen on slide 7 where you are able to see that according to recent research the oligopoly in Australian banking means that although we have been blessed with a stable and secure banking systems through the GFC, the banks have been making extremely strong returns, particularly on their unsecured lending portfolios. The research shows that although only 3% of banking assets are in consumer lending it accounts for upwards of 16% of their profits.

This becomes even more significant when one examines the safety of the asset class over the period. You can see in the first chart that in the US over 20 years there has not been a year of negative returns across a portfolio of consumer loans. In Australia similarly you can see that even during the worst of the financial crisis the class never went below an 8% yield.

Lastly I would like to mention our confidence in the Direct Money business model. As with all new sectors there is a range of different models operating in the "Marketplace Lending " sector. We are firm believers in diversification and risk control. We have diversification in our funding, diversification in our customer

acquisition models and diversification in our partnerships. We will continue to maintain and indeed develop this diversification and improvement in the business as the sector, regulation and partnerships develop. We will also continue to improve our overall risk control and credit analysis systems.

With those general comments I would like to hand over to Peter to give a review of the business and vision of where to from here.

-ENDS-

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**About DirectMoney**

DirectMoney is a pioneer in Australia's rapidly growing marketplace lending industry. DirectMoney brings together personal loan borrowers and investors through web-based technology to offer a more attractive interest rate than banks and to deliver Australians better financial choice and improved investment outcomes.

Our mission is to connect investors with borrowers offering superior returns for investors and great rates for our borrowers. We provide a simple and fast loan application process online. We take the hassle out of applying for a personal loan providing a new option for Australians to borrow money.