



Homeloans



RESIMAC

HOMELOANS LTD

2018 HALF-YEAR FINANCIAL RESULTS
INVESTOR PRESENTATION

21 FEBRUARY 2018

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PERFORMANCE HIGHLIGHTS

A strong first half result of \$11.9m (statutory NPAT) (\$12.9m normalised NPAT) reflects positive impact of the merger and supportive market conditions in the non-bank sector.







SIX MONTHS TO 31 DEC 2017	GROWTH ON 31 DEC 2016
Statutory NPAT	\$11.9m ↑ 112.5%
Underlying* NPAT	\$12.9m ↑ 56.1%
Expense to Income Ratio (Normalised)	62.1% ↓ 9.6%
Total Settlements	\$2.2bn ↑ 37.5%
Assets Under Management	\$11.1bn ↑ 18.1%




- Net interest income up 26.6% to \$51.0m
- The principally funded loan book was \$7.6 billion at 31 December 2017 (up 15.2% on 30 June 2017)
- Interim Dividend of 0.9 cents / share fully franked

* Excluding one-off items. See slide 10.

HY18 FINANCIAL RESULTS AT A GLANCE

The results for the 6 months to 31 December 2017 are shown below on a statutory and normalised basis with a reconciliation of HY18 statutory and underlying profit included on slide 11.

FINANCIAL PERFORMANCE	1H18	1H17*	PCP% CHANGE
NPAT (Statutory)	\$11.9m	\$5.6m	112.5% 
NPAT (Normalised)	\$12.9m	\$8.2m	56.1% 
Expense to income ratio (normalised)	62.1%	68.7%	9.6% 
ROE (normalised and on a year-end basis)	HY Annualised 16.9%	N/A	N/A
SETTLEMENTS	1H18	1H17*	PCP% CHANGE
Settlements: Principally funded	\$1.8b	\$1.1b	63.6% 
Settlements: Non-Principally funded	\$0.4b	\$0.5b	(20.0%) 
Settlements Total	\$2.2b	\$1.6b	37.5% 

ASSETS UNDER MANAGEMENT ("AUM")	31 DEC 2017	30 JUN 2017	31 DEC 17 vs 30 JUN 17	31 DEC 2016	31 DEC 17 vs 31 DEC 16
AUM: Principally funded	\$7.6b	\$6.6b	15.2%	\$5.8b	31.0% 
AUM: Non-Principally funded	\$3.5b	\$3.6b	(2.8%)	\$3.6b	(2.8%) 
AUM: Total	\$11.1b	\$10.2b	8.8%	\$9.4b	18.1% 

* In accordance with the accounting treatment of the merger as a reverse acquisition, the consolidated information for 31 December 2016 represents the results of RESIMAC for the six months and Homeloans for the period from 13 October 2016.

MAINTAINING OUR MOMENTUM

EXPANDING CUSTOMER REACH

Expanding distribution network effectively increasing settlement flows from both direct and third party broker channels



GROWING PRINCIPALLY FUNDED BOOK

Growth in principally funded loan book reflects strong overall settlements particularly through the Homeloans branded channels



FUNDING PROGRAM

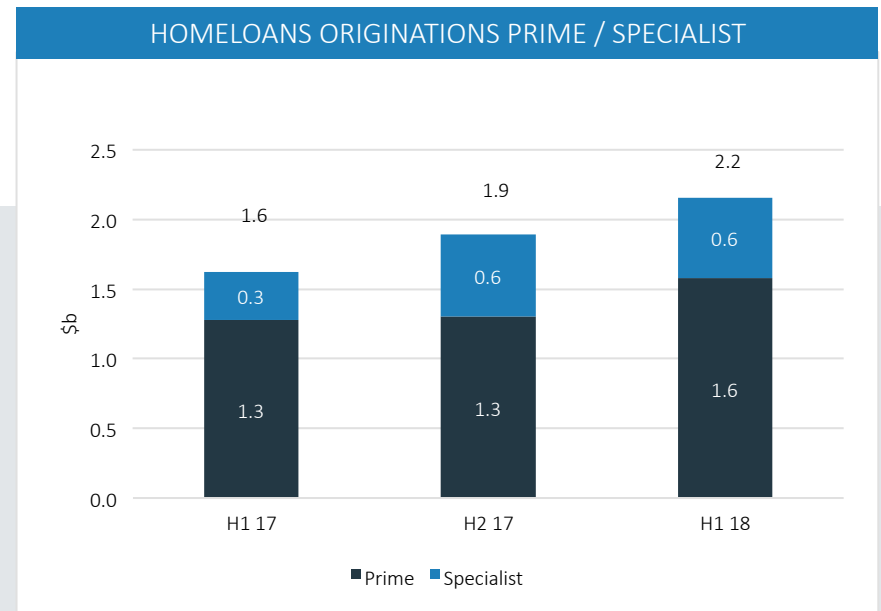
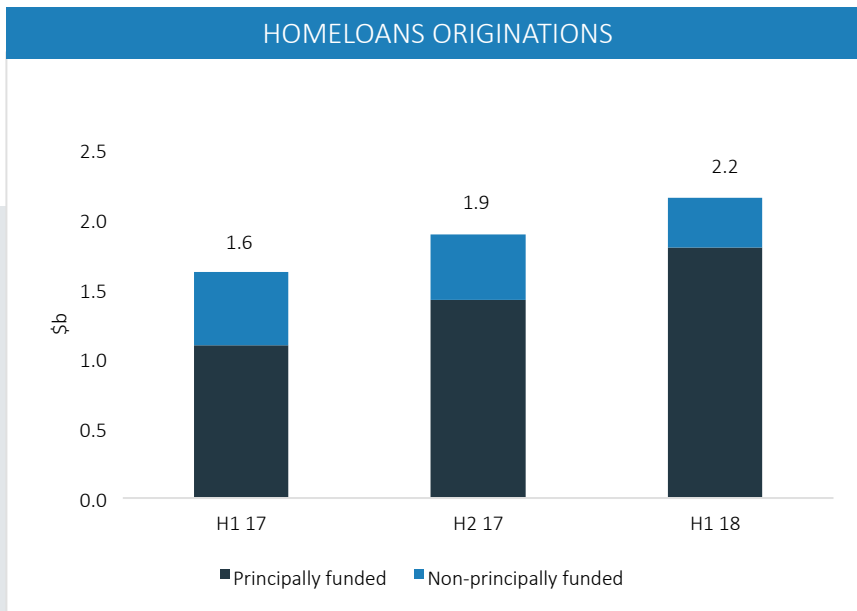
Funding platform continues to expand in the half with all new issues well supported and competitively priced



PERFORMANCE HIGHLIGHTS

Settlements

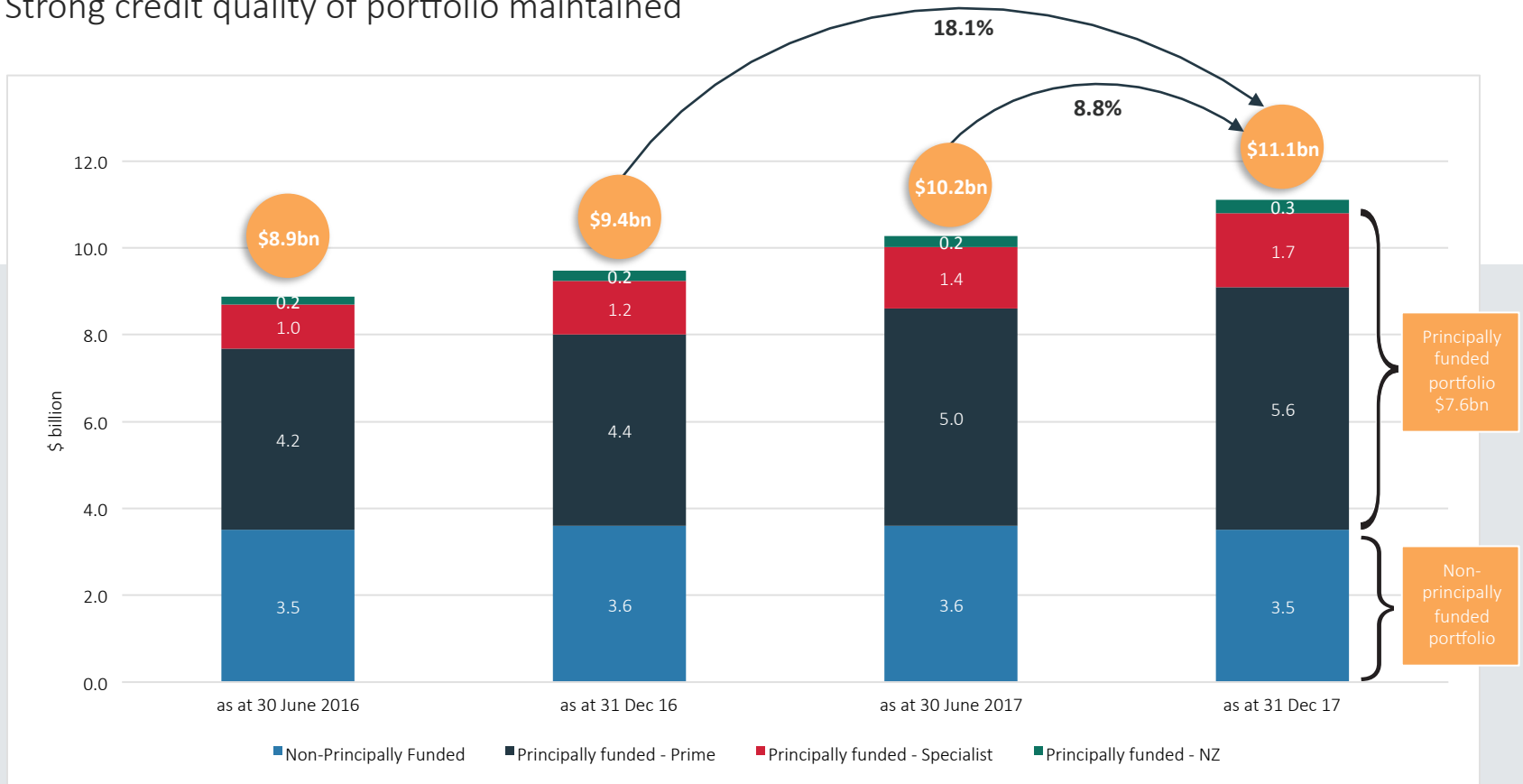
The Group settled \$2.2 billion of loans over the 6 months to 31 December 2017. Strong settlements growth over the period is the result of a larger broker distribution network, successful lead acquisition initiatives across the direct channels, and a growing New Zealand operation.



PERFORMANCE HIGHLIGHTS

Principally funded growth

- Homeloans assets under management (AUM) drive the financial results with growth in AUM supported by new settlement flows and retention activities
- Strong credit quality of portfolio maintained



PERFORMANCE HIGHLIGHTS

Funding program

LEADING NON-BANK ISSUER

CY17 aggregate issuance volume was \$3.75bn across five RMBS transactions in AUD, USD and NZD

IMPROVED INVESTOR BASE

Significant developments in establishing a deep investor base in the Asian region were realised along with increasing support from US 144a investors

ADAPTING TO REGULATORY CHANGE

All 2017 regulatory challenges met – APRA APS120 warehouse changes completed, global securitisation risk retention rules addressed for US SEC and EU CRD compliance

- Strong support from the funding platform to new lending activities continued during 1H – RESIMAC was the most frequent and second largest RMBS issuer in Australia and New Zealand during 2017
- Offshore-related capital markets funding is now approaching 50% of overall mix while key Australian fixed income distribution remains strong

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the half-year ended 31 December

	1H 2018 \$m	1H 2017 (a) \$m
Interest income	169.6	134.0
Interest expense	(118.6)	(93.7)
Net interest income	51.0	40.3
Fee and commission income	18.4	11.3
Fee and commission expense	(20.7)	(11.9)
Other income	0.5	1.3
Employee benefits expense	(18.5)	(17.5)
Operating expenses	(12.5)	(14.3)
Loan impairment expense	(0.9)	(0.9)
Profit before tax	17.3	8.3
Income tax expense	(5.4)	(2.7)
PROFIT FOR THE YEAR	11.9	5.6

RECONCILIATION OF NORMALISED EARNINGS WITH STATUTORY PROFIT	HY18 \$m
Normalised NPAT	12.85
Write-down of eChoice investment	(0.48)
Write-down of eChoice (tax effect)	(0.44)
Statutory NPAT	11.93

(a) In accordance with the accounting treatment of the merger as a reverse acquisition the consolidated information for 31 December 2016 represents the 6 months' results of RESIMAC and the results of Homeloans from 13 October 2016 (2 ½ months)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

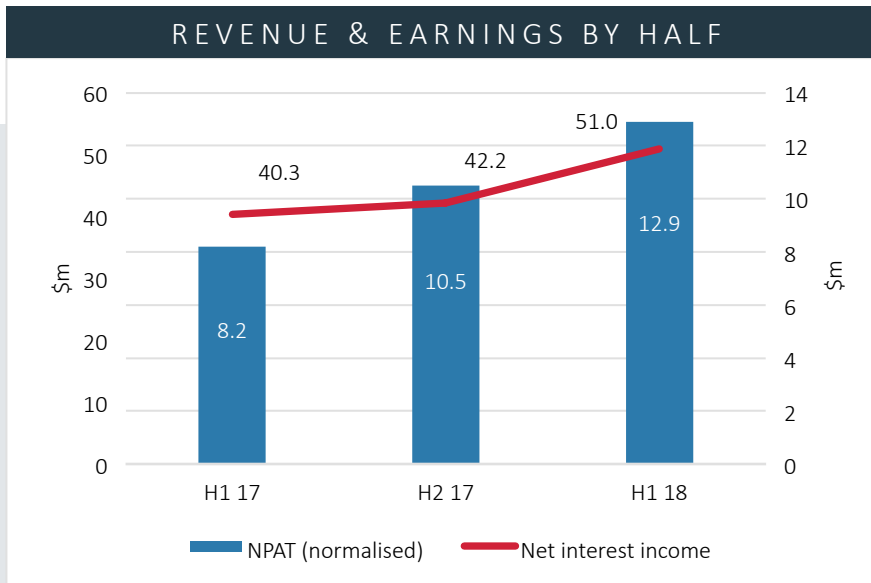
	31 DEC 2017 \$m	30 JUN 2017 \$m
Assets		
Cash and bank balances	211.5	187.1
Trade and other receivables	4.8	7.7
Loans and advances to customers	7,575.4	6,643.0
Other assets	65.4	67.4
Derivative financial asset	-	7.3
Intangible assets	22.2	22.3
TOTAL ASSETS	7,879.3	6,934.8
Liabilities		
Trade and other payables	32.2	38.3
Interest-bearing liabilities	7,644.6	6,708.8
Other financial liabilities	28.6	28.3
Derivative financial liabilities	5.7	4.4
Other liabilities	11.5	8.6
Provisions	4.4	5.2
TOTAL LIABILITIES	7,727.0	6,793.6
Net Assets	152.3	141.2
Equity		
Share capital	176.8	174.7
Reverse acquisition reserve	(61.5)	(61.5)
Total issued capital	115.3	113.2
General reserves	(3.1)	(3.1)
Retained earnings	40.1	31.1
Equity attributable to owners of the parent	152.3	141.2
Non-controlling interest	-	-
TOTAL EQUITY	152.3	141.2

\$m	31 DEC 2017	30 JUN 2017
Cash reconciliation		
Cash and bank and on hand	13.2	18.5
Cash collections account	196.5	166.2
Restricted cash	1.8	2.4
Cash at bank	211.5	187.1

CONTINUED POST-MERGER REVENUE AND EARNINGS GROWTH

The second half of FY17 and onwards represents a full 6 months of the merged company results.

\$m	H1 17	H2 17	H1 18
NPAT (Normalised)*	8.2	10.5	12.9
Net interest income	40.3	42.2	51.0



- The results for the 6 months' to 31 December 2016 (H1 17) reflect 6 months of RESIMAC Limited and the results of Homeloans from 13 October 2016 (2 ½ months)

*Excludes merger and transaction costs and other one-off items.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December

	1H 2018 \$m	1H 2017 (a) \$m
Cash flows from operating activities		
Interest received	176.1	139.1
Interest paid	(112.1)	(90.0)
Receipts from loan fees and other income	37.6	20.8
Payments to suppliers and employees	(79.6)	(56.2)
Payments of net loans to borrowers	(933.9)	(418.7)
Income tax paid	(1.8)	(2.4)
Net cash used in operating activities	(913.7)	(407.4)
Cash flows from investing activities		
Payment for property, plant and equipment	(0.2)	(0.2)
Repayment of loans from / (to) related parties	(2.4)	(0.9)
Cash acquired on acquisition of business	-	10.3
Net cash provided by / (used in) investment activities	(2.6)	9.2
Cash flows from financing activities		
Proceeds from borrowings	8,634.0	9,504.6
Repayment of borrowings	(7,691.0)	(9,062.3)
Swap payments	(0.6)	(0.5)
Payment of dividends	(0.8)	(2.1)
Net cash generated by financing activities	941.6	439.7
Net increase / (decrease) in cash and cash equivalents	25.3	41.5
Cash and cash equivalents at the beginning of the period (1 July)	187.1	161.5
Effects of exchange rate changes on cash balances held in foreign currencies	(0.9)	0.1
Cash and cash equivalents at the end of the period	211.5	203.1

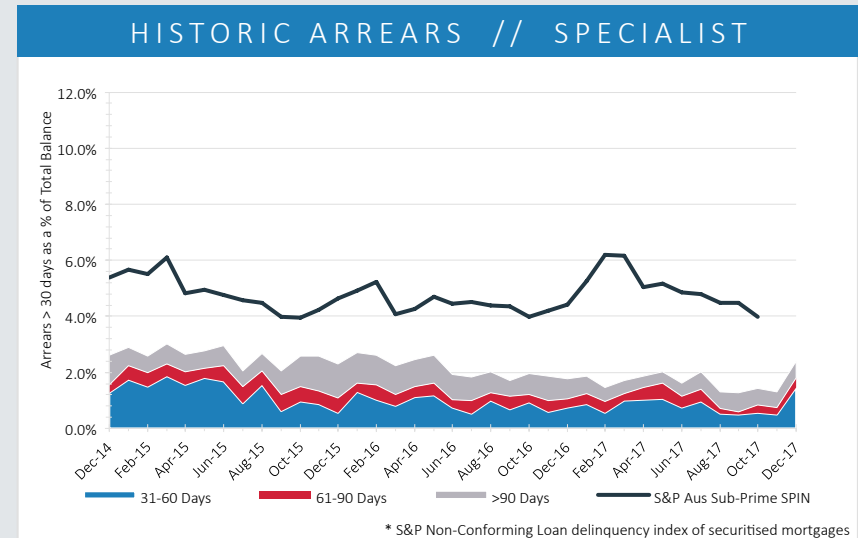
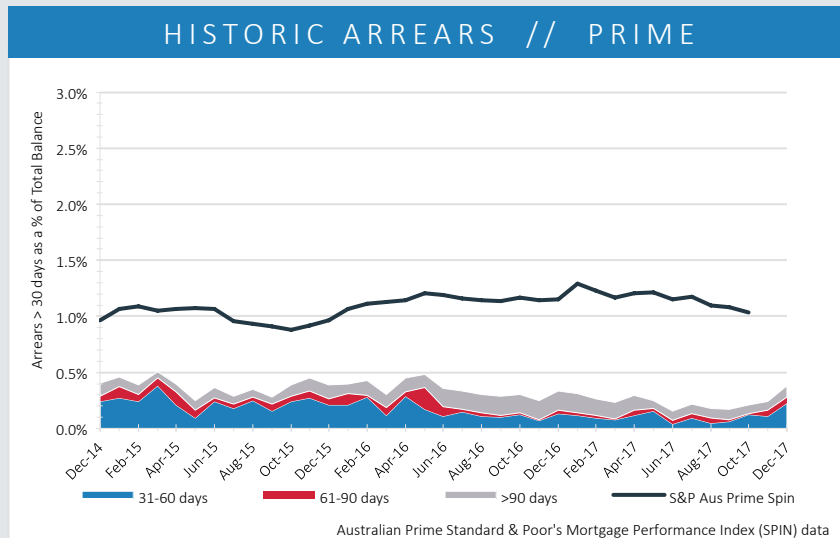
(a) In accordance with the accounting treatment of the merger as a reverse acquisition the consolidated information for:

31 December 2016 represents the 6 months results of RESIMAC and the results of Homeloans from 13 October 2016 (2 ½ months)

HY18 FINANCIAL RESULTS

Other drivers of financial result

- The normalised expense to income ratio reduced from 68.7% to 62.1% for the half year with an ongoing focus on operational efficiency
- Net interest income growth reflecting growth in AUM
- Arrears¹ remain low, consistent with the underlying credit quality of the Australian principally funded loan portfolios
- Our Prime and Specialist portfolios continue to outperform S&P Spin by measure of defaults and losses



1 Graphs based on Australian arrears performance and excludes RHG loan portfolio.

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FULFILLING OUR VISION

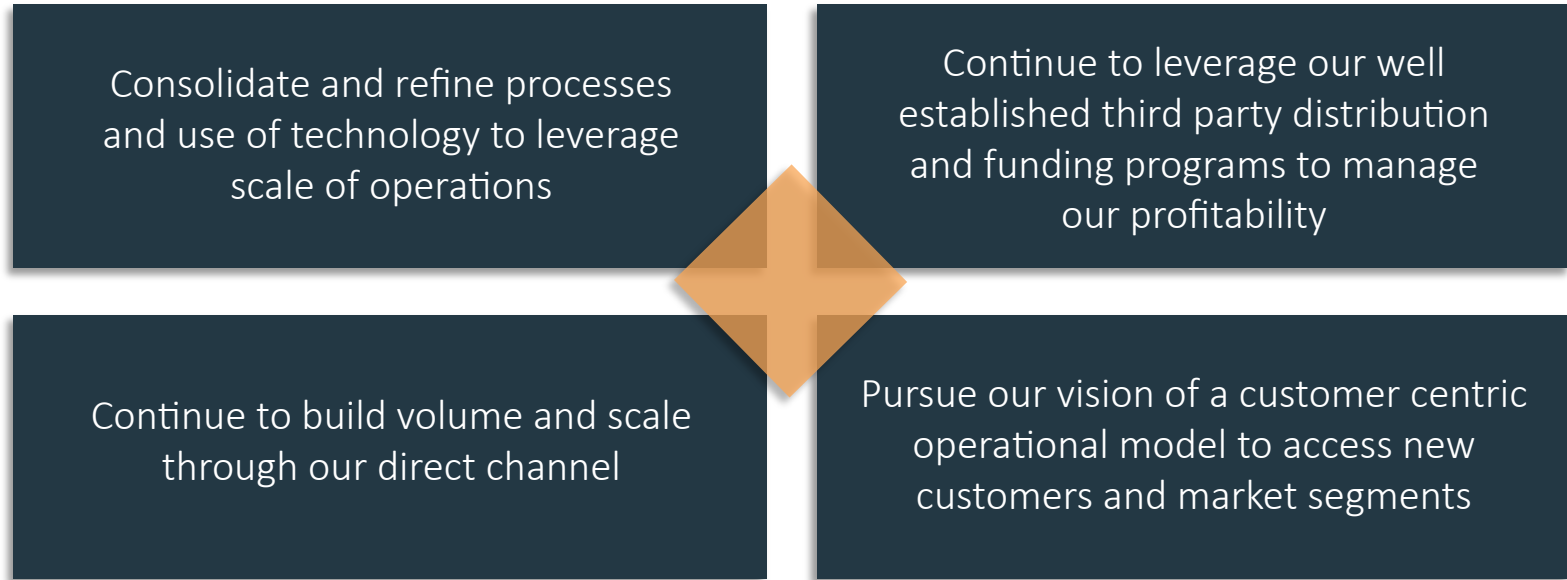
A leadership role in the sector



Underpinning these activities is a program of staff initiatives, encouraging collaboration and team development to support our vision.

OUTLOOK

FY18



The outlook for the remainder of the financial year remains positive, with strong book growth in the first half and ongoing solid settlement flows expected to drive the full year result. Homeloans remains focused on reinvesting in the business, pursuing its strategy of cost effectively growing its AUM through third party and direct channels and solidifying its position as a leading non-bank financial institution.

CONTACT US



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Joint Chief Executive Officer

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Scott has been with Homeloans since 2004 and has held various senior executive roles including Chief Operating Officer and Head of Funding and Investments. Prior to joining Homeloans, Scott held senior roles at Deutsche Bank in London and Sydney and Citibank in London, in the area of Debt Capital Markets. Scott has worked in Financial Services since 1996.



Mary Ploughman
Joint Chief Executive Officer

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Mary commenced with RESIMAC in November 2002 where she assumed overall responsibility for funding the RESIMAC business which also entails managing some of RESIMAC's key relationships with its bank funders, investors, the government and rating agencies. Prior to joining RESIMAC, Mary worked at Pricewaterhouse Coopers, and 11 years at Macquarie Bank.



Ian Parkes
Chief Financial Officer

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Appointed in May 2012 as Chief Financial Officer, Ian is responsible for managing Financial Control across Homeloans operations. Ian is a Chartered Accountant with over 20 years' experience in senior finance roles within the banking sector, including over 10 years with St George Bank.

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