



Resimac Group Ltd

FY20 RESULTS PRESENTATION

August 2020

# PERFORMANCE HIGHLIGHTS

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Scott McWilliam, CEO  
Jason Azzopardi, CFO



# FY20 PERFORMANCE HIGHLIGHTS (v FY19)

**\$56.0m**

STATUTORY<sup>1</sup>  
NPAT

↑ 19%

**\$55.7m**

NORMALISED<sup>2</sup>  
NPAT

↑ 79%

**\$188.6m**

NET INTEREST  
INCOME

↑ 60%

**37.9%**

COST TO INCOME  
RATIO (NORMALISED)

↓ 1,870bps

**\$4.7b**

HOME LOAN  
SETTLEMENTS

↑ 30%

**\$12.4b**

HOME LOAN ASSETS  
UNDER MANAGEMENT<sup>3</sup>

↑ 21%

**\$14.9b**

TOTAL ASSETS UNDER  
MANAGEMENT<sup>3</sup>

↑ 11%

**1.8c**

FINAL DIVIDEND  
FY20 TOTAL DIVIDEND OF 3.0c PER  
SHARE (FULLY FRANKED)

↑ 20%

<sup>1</sup> FY19 Statutory NPAT includes one-off profit on disposal of fully owned Subsidiary Paywise (\$13.1m) and de-recognition of investment in Associate (\$5.8m)

<sup>2</sup> FY20 Normalised NPAT excludes one-off non-recurring income per reconciliation on slide 23

<sup>3</sup> AUM excludes c\$100m of Non Core loans included in the Consolidated Financial Statements

# PERFORMANCE HIGHLIGHTS

## FINANCIAL RESULTS SUMMARY

- Significant NPAT increase driven by record settlements, AUM growth and higher margins.
- 1,870bps reduction in Cost to Income Ratio driven by revenue growth and strong cost discipline.
- Return on equity increased 820bps to 25.5%.
- Prudent provisioning providing buffer against potential loan losses.

Financial Performance	FY20	FY19	FY20 vs. FY19 % Change	
NPAT (statutory)	\$56.0m	\$47.2m	19%	↑
NPAT (normalised)	\$55.7m	\$31.1m	79%	↑
Cost to Income Ratio (normalised)	37.9%	56.6%	1,870bps	↓
Return on Equity (normalised NPAT)*	25.5%	17.3%	820bps	↑
Settlements	FY20	FY19	% Change	
Settlements – Home Loans	\$4.7b	\$3.6b	30%	↑
▪ Prime	\$3.4b	\$2.6b	32%	↑
▪ Specialist	\$1.3b	\$1.0b	24%	↑
Assets Under Management ('AUM')	30 June 2020	30 June 2019	% Change	
AUM – Home Loans**	\$12.4b	\$10.2b	21%	↑
AUM – White Label	\$2.5b	\$3.2b	(23%)	↓
Assets Under Management Total	\$14.9b	\$13.4b	11%	↑
Loan Provisions (B/S)	30 June 2020	30 June 2019	% Change	
Specific Provisions	\$6.1m	\$5.6m	9%	↑
Collective Provisions	\$30.6m	\$10.9m	Large	↑
Total Provisions	\$36.7m	\$16.5m	Large	↑

\*ROE based on normalised NPAT and average shareholders equity

\*\* Home Loan AUM excludes c\$100m of Non Core loans included in the Consolidated Financial Statements

# PERFORMANCE HIGHLIGHTS

## EARNINGS GROWTH

- Normalised NPAT increased 79% driven by higher Net Interest Income (+60%) from AUM growth and lower BBSW, partly offset by lower customer rates.
- Excluding Paywise^, FY20 net fee & commission expense increased \$8.7m driven by lower derivative MTM valuations (\$2.5m), higher broker trail commissions (\$2.3m), lower white label fee income (\$2.0m), and higher RMBS funding and servicing fees (\$2.0m).
- Excluding Paywise, FY20 operating expenses increased \$6.0m driven by one off IT projects \$2.0m, higher Technology Costs \$1.8m, IA Group operating expenses \$1.2m, and higher employment costs \$1.0m.
- FY20 loan impairment expense driven by \$16.4m COVID-19 overlay. Collective Provision (B/S) increased from \$10.9m at 30 June 2019, to \$30.6m at 30 June 2020.

\$m	FY20	FY19	FY20 vs. FY19 % Change
NPAT (normalised)*	\$55.7m	\$31.1m	79%
▪ Net Interest Income (NII)	\$188.6m	\$117.9m	60%
▪ Net Fee & Commission Income/(Expense)	(\$24.1m)	**(\$8.5m)	Large
▪ Operating Expenses	(\$62.2m)	***(\$61.9m)	Flat
▪ Loan Impairment Expense	(\$22.0m)	(\$3.0m)	Large

\*Normalised NPAT excludes one-off non-recurring income per reconciliation on slide 23

\*\* FY19 Net Fee & Commission Income/(Expense) includes \$6.9m fee income related to divested subsidiary Paywise. Excluding Paywise, FY19 Net Fee & Commission Income/(Expense) is (\$15.4m)

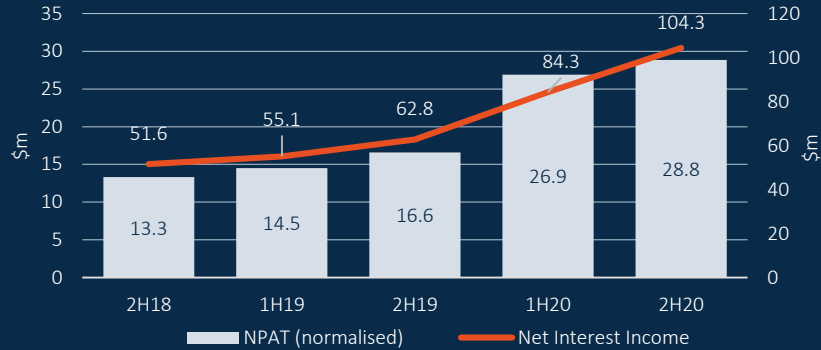
\*\*\* FY19 Operating Expenses include \$5.7m related to divested subsidiary Paywise. Excluding Paywise, FY19 Operating Expenses were (\$56.2m)

^ Paywise was a fully owned Subsidiary fully divested in April 2019

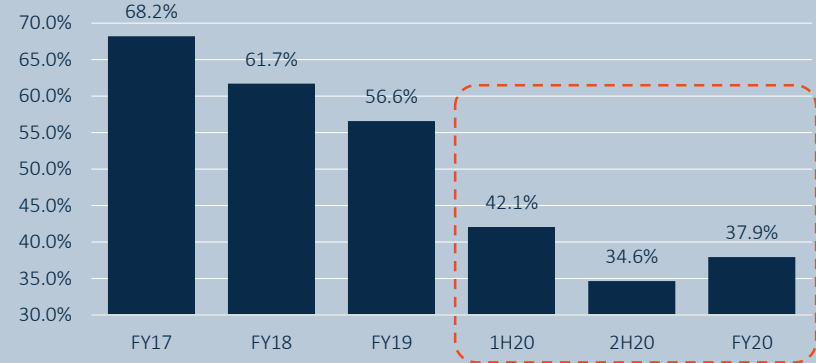
# PERFORMANCE HIGHLIGHTS

## KEY METRICS

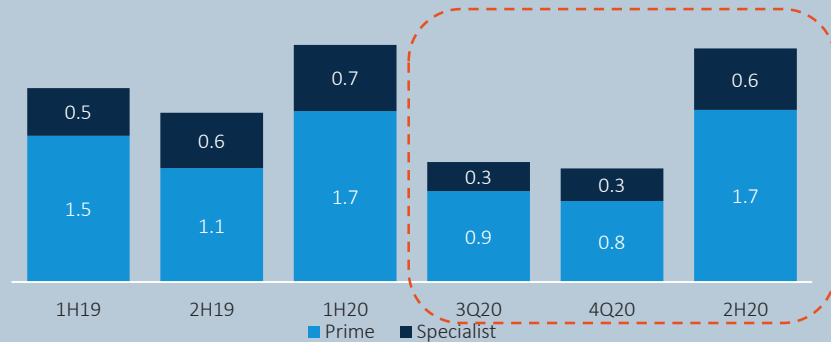
### REVENUE & EARNINGS



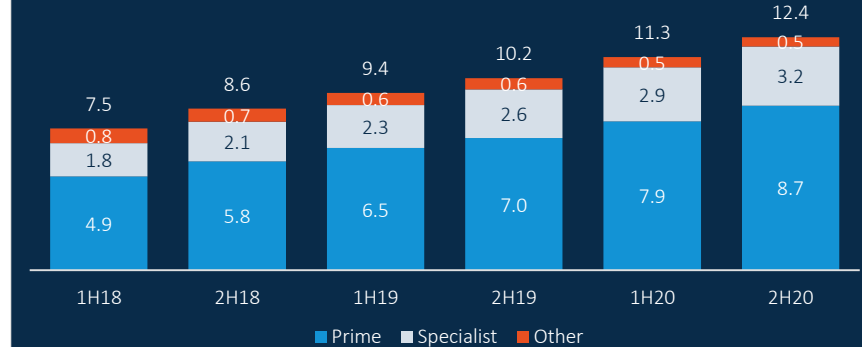
### COST TO INCOME RATIO



### HOME LOAN SETTLEMENTS (\$b)

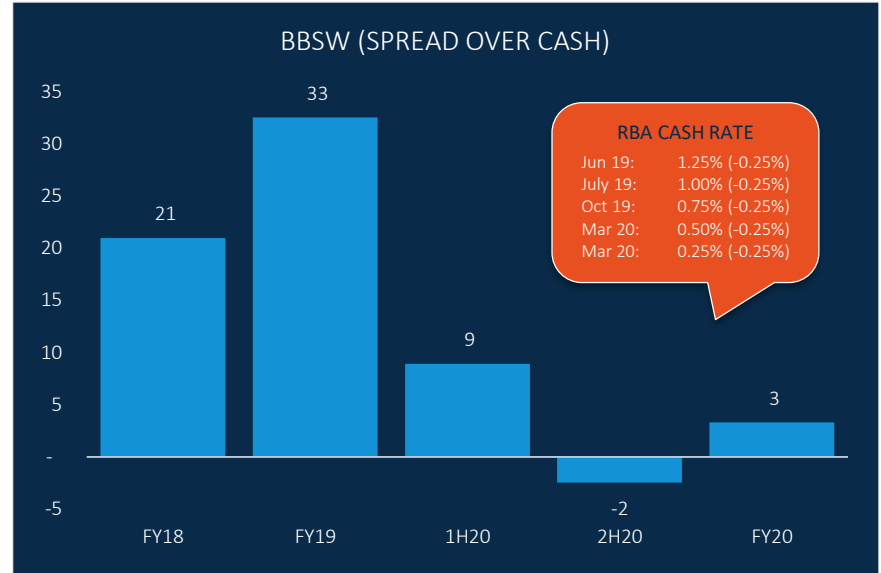
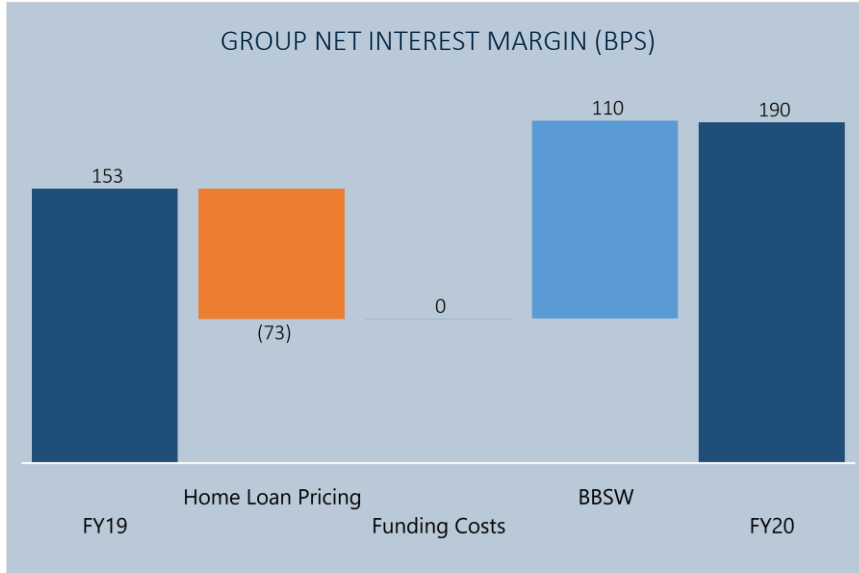


### HOME LOAN AUM (\$b)



# PERFORMANCE HIGHLIGHTS

## GROUP MARGIN



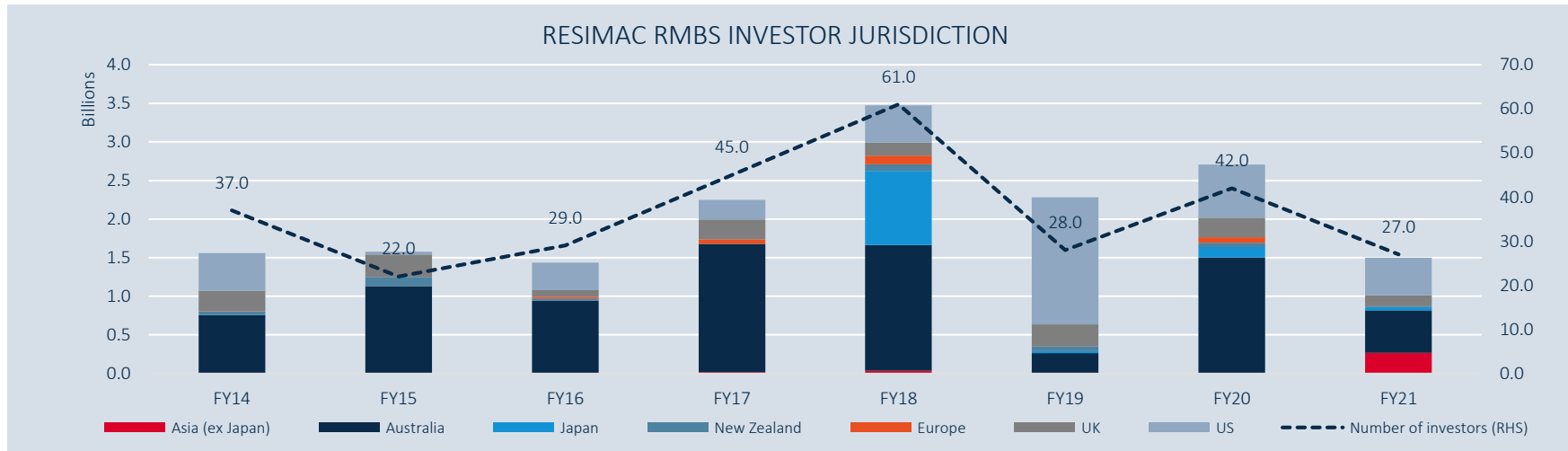
Source: Bloomberg

- Home loan pricing (-73bps) impacted by the RBA cash rate reductions in June, July, October and March.
- BBSW continues to reset below the RBA Cash Rate driven by the RBA's quantitative easing policy and more accommodating repo terms encouraging a considerable accumulation of liquidity within the system.
- BBSW FY19 average 183bps; FY20 average 73bps.

# PERFORMANCE HIGHLIGHTS

## FUNDING PROGRAM

- Despite COVID-related challenges in wholesale banking and credit markets, the Group extended and increased >\$2bn of Prime and Non-conforming warehouse facilities in 2H20.
- In addition to \$2bn of RMBS issuance in 1H20, the Group settled a \$500m Prime RMBS in June 2020 and a \$1bn Non-conforming RMBS in July 2020. Both deals were oversubscribed and supported by domestic and global asset managers.
- The Group has not participated in direct support from the Australian Office of Financial Management's Structured Finance Support Fund ("SFSF"), however remains eligible to participate in the SFSF's various programs if required.

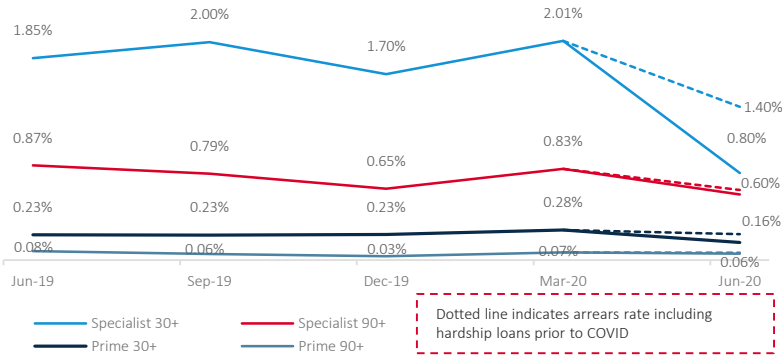




# PERFORMANCE HIGHLIGHTS

## HOME LOAN PORTFOLIO PERFORMANCE

### ARREARS (%)



### SPECIFIC LOAN PROVISIONS

\$m	June 2019	Dec 2019	June 2020
Prime	0.35	0.43	0.61
Specialist / Near Prime	3.26	3.40	3.37
RHG	1.50	1.98	1.93
Other (incl. NZ)	0.47	0.51	0.15
<b>Total Specific Provisions</b>	<b>5.58</b>	<b>6.32</b>	<b>6.06</b>
<b>Provisions / AUM<sup>1</sup> (bps)</b>	<b>6bps</b>	<b>6bps</b>	<b>5bps</b>

### COLLECTIVE LOAN PROVISIONS

\$m	June 2019	BAU Movement	COVID Overlay	June 2020
Prime	3.7	0.1	4.4	8.2
Specialist / Near Prime	4.6	3.2	11.7	19.5
Legacy	1.2	(0.2)	-	1.0
Other (incl. NZ)	1.3	0.3	0.3	1.9
<b>Total Collective Provisions</b>	<b>10.8</b>	<b>3.4</b>	<b>16.4</b>	<b>30.6</b>
<b>Provisions / AUM<sup>1</sup> (bps)</b>	<b>10bps</b>	<b>3bps</b>	<b>14bps</b>	<b>27bps</b>

### COVID-19 PAYMENT DEFERRALS

#### TOTAL HOME LOAN PORTFOLIO (June 20)

**33k** accounts  
**\$12.4bn<sup>1</sup>** balances  
**58%** owner-occupied  
**63%** principal & interest  
**66%** weighted average dynamic LVR<sup>2</sup>

#### ACTIVE PAYMENT DEFERRALS (July 20)

**2.5k** accounts  
**\$1.3bn** balances (incl. NZ/Legacy)  
**65%** owner-occupied  
**70%** principal & interest  
**73%** weighted average dynamic LVR<sup>2</sup>

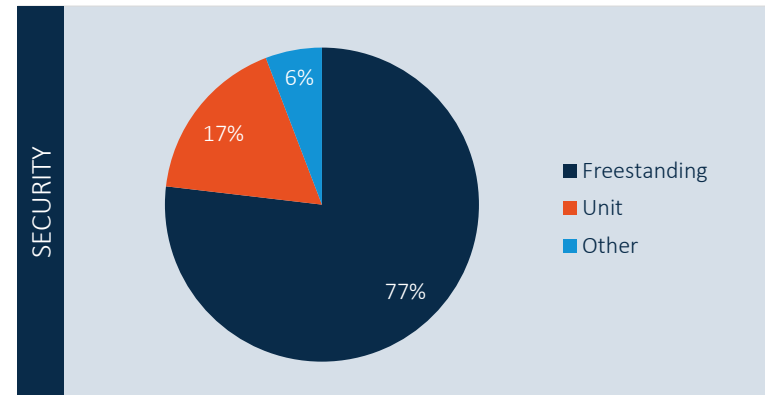
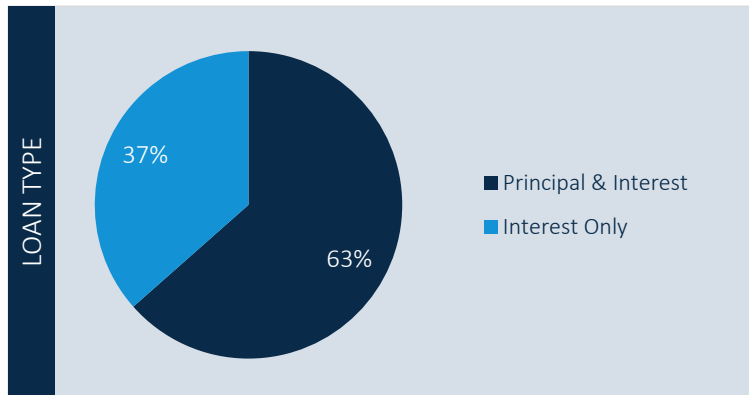
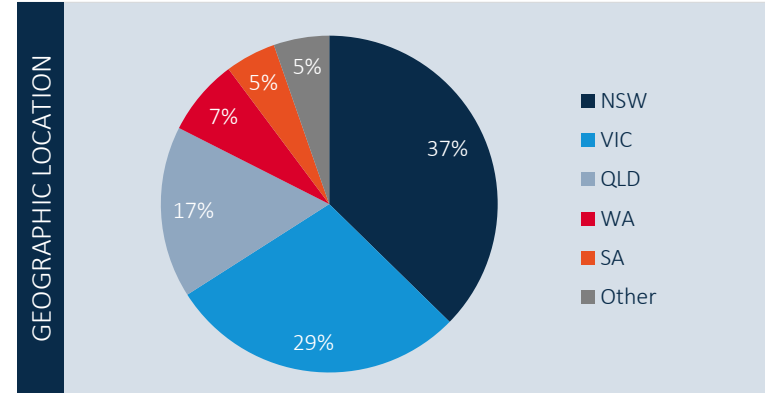
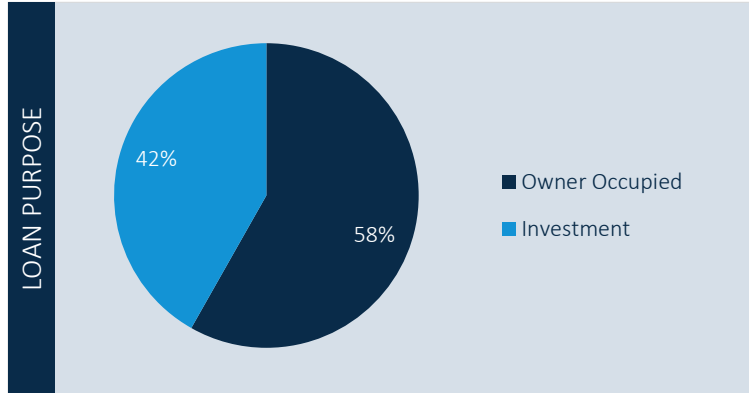
<sup>1</sup> Home Loan AUM excludes c\$100m of Non Core loans included in the Consolidated Financial Statements  
<sup>2</sup> Dynamic LVR = LVR based on latest CoreLogic individual property valuations

# PERFORMANCE HIGHLIGHTS

## HOME LOAN PORTFOLIO COMPOSITION

Weighted average portfolio LVR – Prime 66.3%; Specialist 68.8%

Weighted average portfolio dynamic LVR – Prime 65.7%; Specialist 70.2%



# COVID-19 IMPACT

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Scott McWilliam, CEO

Jason Azzopardi, CFO



# COVID-19 **HARDSHIP ANALYSIS**

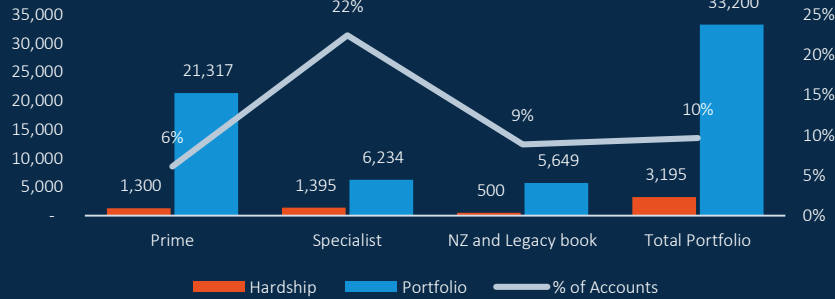
## SUMMARY

- Resimac is well placed to navigate the COVID-19 pandemic with strong historical portfolio performance and industry low arrears.
- Portfolio diversified both geographically and by borrower industry and employment sectors.
- 10% of customers applied for and were immediately granted payment deferrals, expiring in 1H21. Extensions will require a full assessment of borrower's financial position.
- 23% of all customers granted a payment deferral have recommenced full or part repayment.
- Weighted average dynamic LVR of active payment deferral portfolio – Prime 74%, Specialist 74%.
- Prime active payment deferrals are 5% of all Prime customer accounts (\$508m of loan balances), comparing favourably to other financial institutions.
- Specialist active payment deferrals are 19% of all Specialist customer accounts (\$705m of loan balances).
- c\$21m of Non LMI Prime loans currently on an active payment deferral, have a dynamic LVR of >90%.
- c\$87m of Non LMI Specialist loans currently on an active payment deferral, have a dynamic LVR of >90%.
- FY20 Collective Provision of \$30.6m includes a conservative overlay of \$16.4m for future COVID-19 credit losses.

# COVID-19 **HARDSHIP ANALYSIS**

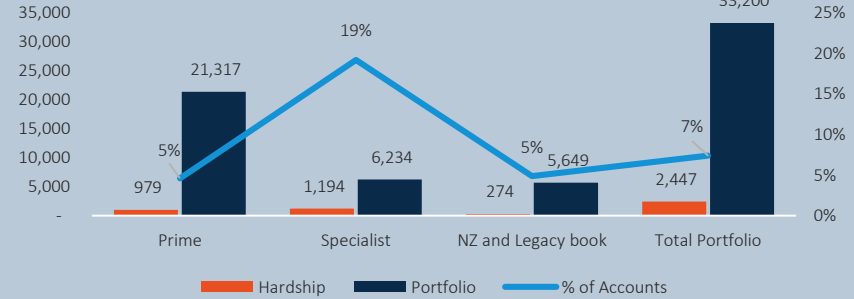
## SUMMARY

PAYMENT DEFERRALS AT 30 JUNE 2020<sup>1</sup>



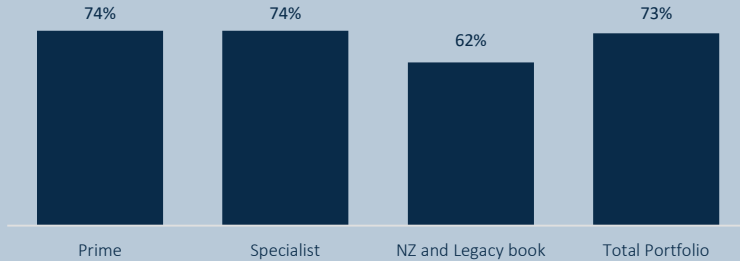
<sup>1</sup> Number of accounts.

ACTIVE PAYMENT DEFERRALS AT 31 JULY 2020<sup>1</sup>

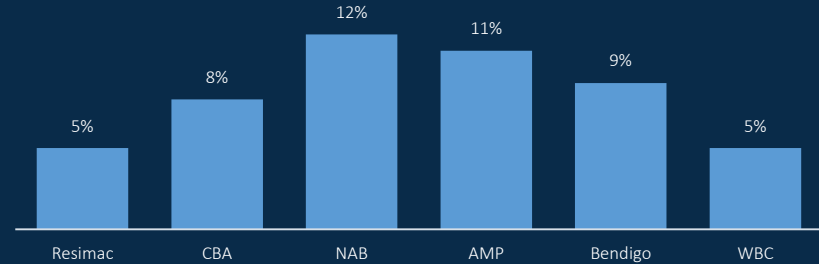


<sup>1</sup> Number of accounts at 31 July 2020 in active payment deferrals (not recommended payments).

WEIGHTED AVERAGE DYNAMIC LVR (ACTIVE PAYMENT DEFERRALS)



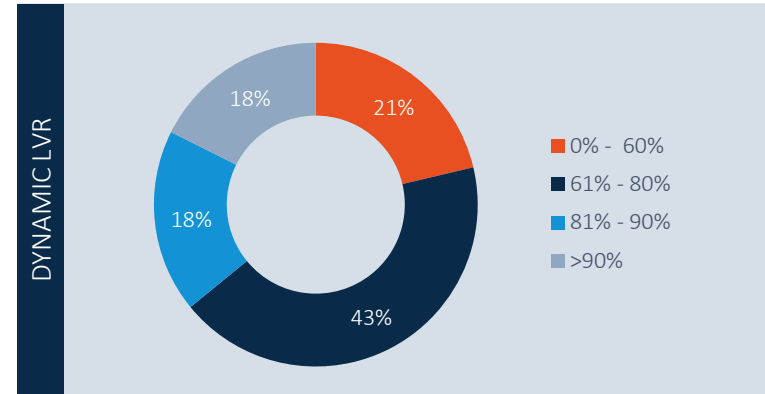
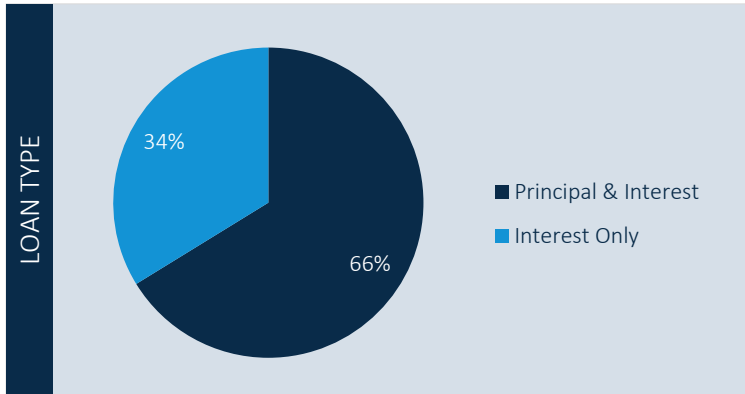
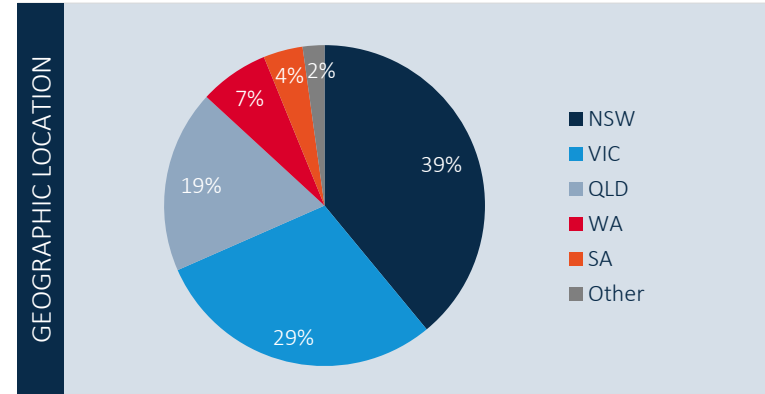
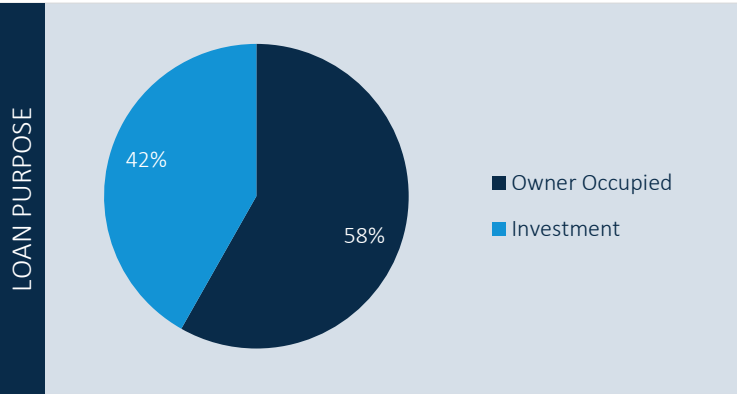
PAYMENT DEFERRALS – INDUSTRY COMPARISON<sup>1</sup>



<sup>1</sup> Industry comparison calculations by lender; Resimac # of Prime accounts in active payment deferral at 31 July 2020, CBA # of accounts at 31 July 2020, NAB \$ balances at 30 June 2020, AMP \$ Balances at 30 June 2020, Bendigo \$ balances at 30 June 2020, WBC # accounts at 31 July 2020.

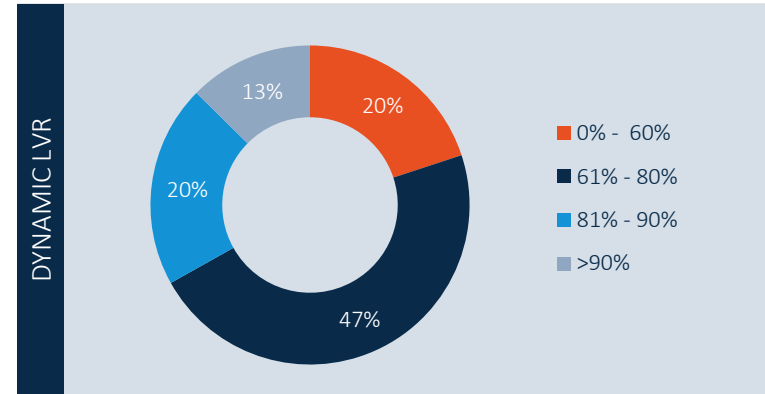
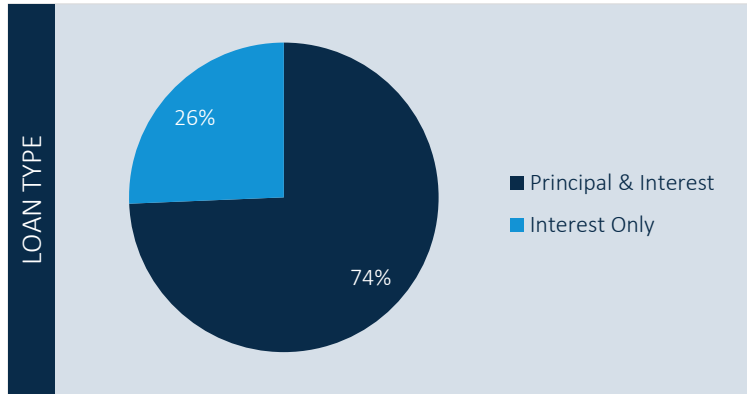
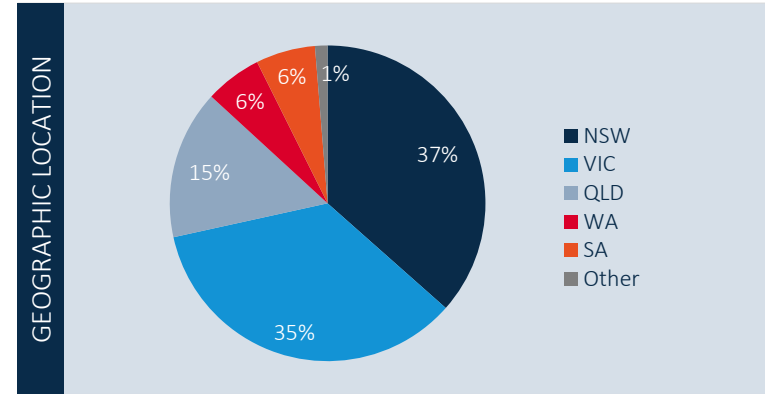
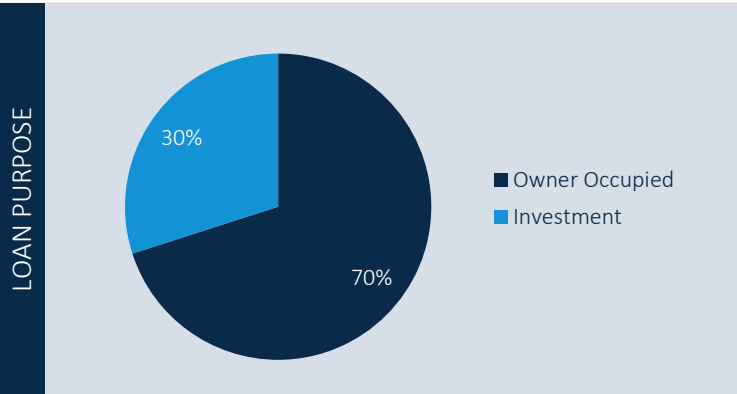
# COVID-19 **HARDSHIP ANALYSIS**

## PRIME PAYMENT DEFERRALS



# COVID-19 **HARDSHIP ANALYSIS**

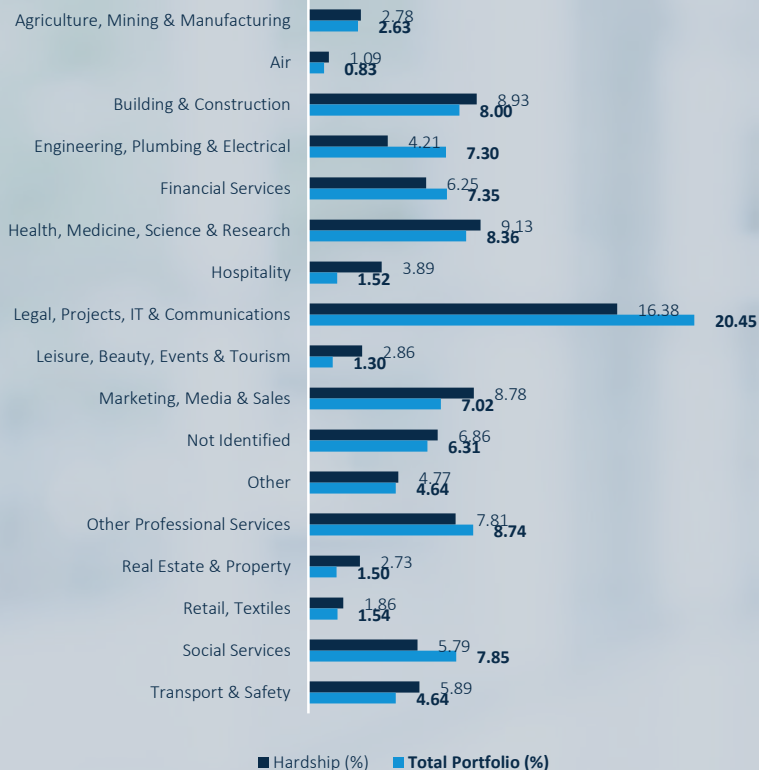
## SPECIALIST PAYMENT DEFERRALS



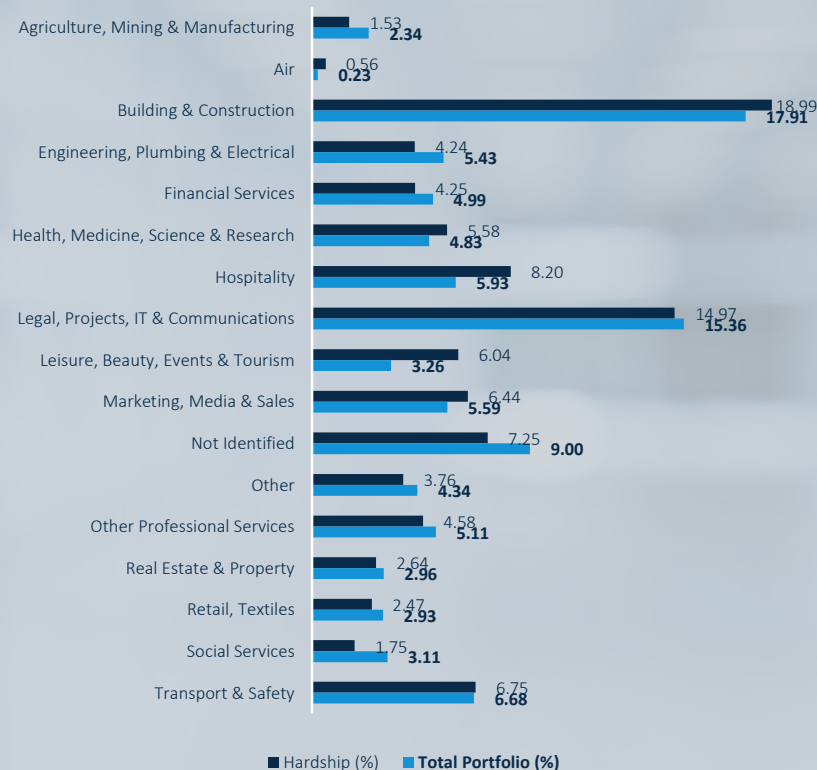
# COVID-19 **HARDSHIP ANALYSIS**

## BORROWER BY INDUSTRY TYPE

### PRIME PORTFOLIO OCCUPATION



### SPECIALIST PORTFOLIO OCCUPATION





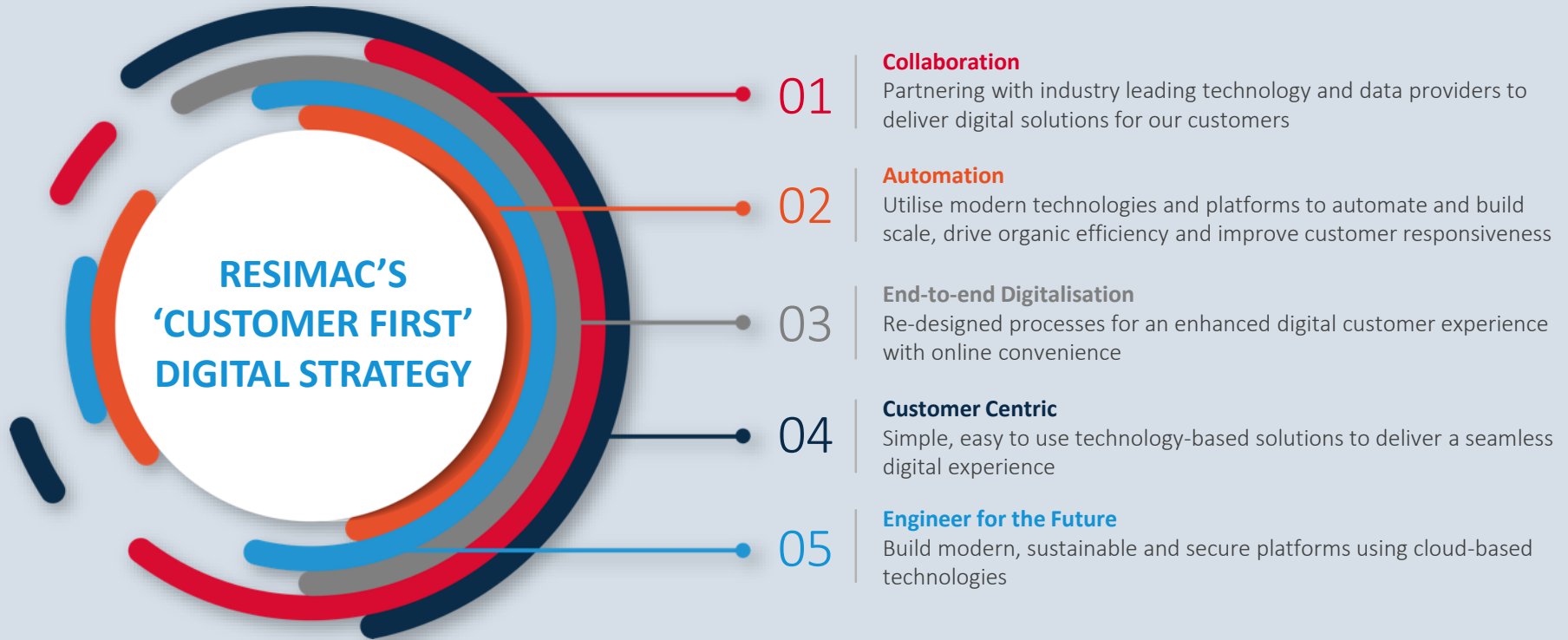
# STRATEGIC PRIORITIES & OUTLOOK

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Scott McWilliam, CEO



# BUILDING A DIGITAL **NON-BANK**



# RESIMAC DIGITAL ROADMAP

## 1H FY20

- ✓ New online application
- ✓ Electronic statements
- ✓ Foundational infrastructure

## 2H FY20

- ✓ Digital telephony and integrated customer contact system
- ✓ Credit decisioning introduced
- ✓ End-to-end digital documentation
- ✓ Virtual / electronic valuations

## 1H FY21

- ✓ Latest CMS technology
- ✓ New direct channel brand launch
- ✓ Enhanced automated valuation methodology
  - Credit decisioning data analytics and policy settings review
  - Predictive data analytics using AI technology

## 2H FY21

- New origination platform pilot
- Credit decisioning overlay

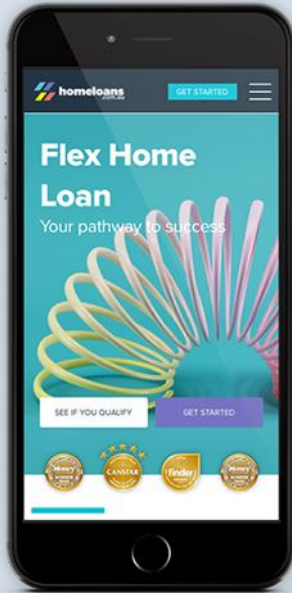
## 1H FY22

- Origination platform replacement
- Fully integrated credit decisioning
- Mobile app
- Modern internet customer experience
- New Core Servicing platform
- Payments capabilities unlocked
- Agile product management

## Digital partners:



# LAUNCH OF



Launch of homeloans.com.au, our new 'direct to consumer' online brand.

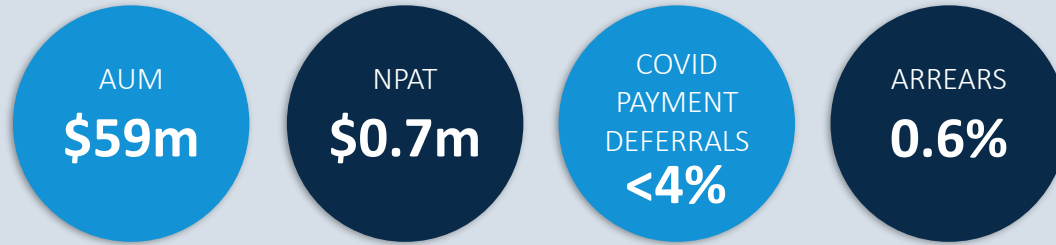
Customers are transacting more online today than ever before, further accelerated by the COVID lockdowns.



- Market leading online application
- Instant conditional approval
- End-to-end digital home loan solution
- Diverse product range
- Marketing strategy using brand ambassador Adam Gilchrist

# RESIMAC **ASSET FINANCE**

IA GROUP



- ✓ Resimac acquired 60% of IA Group in January 2020 including an option to purchase the remaining 40% by December 2021.
- ✓ AUM growth c15% p.a. since acquisition. Forecasting to grow the portfolio by >70% in FY21.
- ✓ Despite the nature of the asset class, payment deferrals represent less than 4% of the portfolio.
- ✓ Digitalisation (workflow complete, establishing a broker portal).
- ✓ Funding strategy progressing well.
- ✓ Developed policy and pricing strategy.
- ✓ Retained all employees. Cultural alignment with Resimac.

# FINANCIAL RESULTS

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Jason Azzopardi, CFO



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

## FOR THE YEAR ENDED 30 JUNE 2020

	FY20 \$m	FY19 \$m
Interest income	459.3	445.3
Interest expense	(270.7)	(327.4)
<b>Net interest income</b>	<b>188.6</b>	<b>117.9</b>
Fee and commission income	11.3	19.0
Fee and commission expense	(36.1)	(31.5)
De-recognition of investment in associate (Finsure)	-	5.8
Gain on disposal of subsidiary (Paywise)	-	13.1
Other income	0.7	4.5
Employee benefits expense	(35.9)	(37.7)
Operating expenses	(26.3)	(24.2)
Loan impairment expense	(22.0)	(3.0)
<b>Profit before tax</b>	<b>80.3</b>	<b>63.9</b>
Income tax expense	(24.3)	(16.7)
<b>PROFIT FOR THE YEAR</b>	<b>56.0</b>	<b>47.2</b>

Reconciliation of Normalised and Statutory Profit	FY20 \$m	FY19 \$m
<b>Statutory NPAT</b>	<b>56.0</b>	<b>47.2</b>
De-recognition of investment in associate (Finsure)	-	(5.8)
Gain on disposal of subsidiary (Paywise)	-	(13.1)
Non-recurring income	(0.4)	(0.5)
Tax effect	0.1	3.3
<b>Normalised NPAT</b>	<b>55.7</b>	<b>31.1</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2020

\$m	30 JUN 20	30 JUN 19
<b>Assets</b>		
Cash and bank balances	366.0	224.8
Trade and other receivables	6.0	10.7
Loans and advances to customers	12,506.0	10,341.9
Other assets	47.8	53.9
Other financial assets	7.1	5.1
Derivative financial assets	52.6	56.6
Right-of-use assets	12.3	-
Intangible assets	28.9	23.4
<b>TOTAL ASSETS</b>	<b>13,026.7</b>	<b>10,716.4</b>
<b>Liabilities</b>		
Trade and other payables	25.9	25.3
Interest-bearing liabilities	12,685.6	10,450.6
Other financial liabilities	20.8	22.9
Derivative financial liabilities	3.3	1.6
Lease liabilities	13.6	-
Other liabilities	31.2	15.9
Provisions	4.6	4.0
<b>TOTAL LIABILITIES</b>	<b>12,785.0</b>	<b>10,520.3</b>
<b>Net assets</b>	<b>241.7</b>	<b>196.1</b>
<b>Equity</b>		
Share capital	181.9	180.5
Reverse acquisition reserve	(61.5)	(61.5)
<b>Total issued capital</b>	<b>120.4</b>	<b>119.0</b>
Reserves	(7.6)	(7.2)
Retained earnings	128.7	84.3
<b>Equity attributable to owners of the parent</b>	<b>241.5</b>	<b>196.1</b>
Non-controlling interest	0.2	-
<b>TOTAL EQUITY</b>	<b>241.7</b>	<b>196.1</b>

\$m	30 JUN 20	30 JUN 19
<b>Cash reconciliation</b>		
Cash at bank and on hand	27.8	10.6
Cash collections account	336.7	212.7
Restricted cash	1.5	1.5
<b>Cash at bank</b>	<b>366.0</b>	<b>224.8</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2020

\$m	FY20 \$m	FY19 \$m
<b>Cash flows from operating activities</b>		
Interest received	471.0	452.3
Interest paid	(264.0)	(318.6)
Receipts from loan fees and other income	46.7	51.7
Payments to suppliers and employees	(155.0)	(150.3)
Payments of net loans to borrowers	(3,573.6)	(1,713.8)
Income tax paid	(9.0)	(9.7)
<b>Net cash used in operating activities</b>	<b>(3,483.9)</b>	<b>(1,688.4)</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(0.3)	(2.5)
Repayment of loans to related parties	(2.4)	-
Acquisition of subsidiary (IA Group)	(6.0)	-
Cash acquired on acquisition of subsidiary (IA Group)	1.1	-
Payment for new investments	(3.0)	(2.0)
Proceeds on disposal of Paywise	0.3	12.0
Cash on disposal of Paywise	-	(10.0)
<b>Net cash used in investment activities</b>	<b>(10.3)</b>	<b>(2.5)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	9,560.9	8,748.8
Repayment of borrowings	(7,365.0)	(7,027.4)
Proceeds of loans sold to external party (Athena)	1,453.2	-
Proceeds from exercise of options	0.3	-
Swap payments	(2.1)	(0.9)
Payment of dividends	(9.9)	(4.4)
Payment of lease liabilities	(1.7)	(0.3)
<b>Net cash generated by financing activities</b>	<b>3,635.7</b>	<b>1,715.8</b>
<b>Net increase in cash and cash equivalents</b>	<b>141.5</b>	<b>24.9</b>
Cash and cash equivalents at the beginning of the financial year	224.8	198.9
Effects of exchange rate changes on cash balances held in foreign currencies	(0.3)	1.0
<b>Cash and cash equivalents at end of year</b>	<b>366.0</b>	<b>224.8</b>



**Scott McWilliam**  
Chief Executive Officer

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Scott is responsible for managing the overall operations of the organisation, its people and resources and ensures the implementation of the strategy agreed with the Board. Scott has over 20 years' experience in the financial services sector. This includes holding senior roles in debt capital markets for Deutsche Bank in both London and Sydney and with Citibank.

Scott has been with the Resimac Group for 17 years, initially as Head of Funding and Investments, followed by Chief Operating Officer and then CEO since 2013.

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**Jason Azzopardi**  
Chief Financial Officer

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Jason joined the Resimac Group in July 2018 as Chief Financial Officer. Jason is also the Group Executive leading the Marketing function, and an Executive Director on the Board of Resimac NZ.

Prior to Resimac, Jason held senior finance roles in private equity in London. Since relocating to Australia in 2011, Jason's extensive retail banking experience includes senior leadership roles at Bankwest and Macquarie. Jason is a Fellow of CPA Australia.

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