

MARY PLOUGHMAN, JOINT CHIEF EXECUTIVE
ANDREW MARSDEN, DIRECTOR, CAPITAL MARKETS

NONBANK IN FOCUS: **RESIMAC**

Resimac is at a key stage of business development in late 2016. The company's Sydney-based joint chief executive, **Mary Ploughman**, and director, capital markets, **Andrew Marsden**, discuss the firm's approach.

How has Resimac's business infrastructure had to develop in order to integrate new portfolios while retaining sufficient focus on existing core business?

■ **PLOUGHMAN** This has been a fantastic and exciting exercise for Resimac. We have successfully brought a number of businesses and portfolios on board over the last five years without interrupting our existing business lines at all. For example, we put the New Zealand and RHG books onto our system, which not only enhanced our capability but ensured our business benefited from the experience of doing so. Integrating the new portfolios has not been without challenges but having gone through the processes has added to our strengths.

■ **MARSDEN** Our platforms, particularly on the asset side, always carry a quantum of excess capacity. One of the reasons we actively pursued the RHG acquisition in 2013/14 was to fulfil the excess capacity we had within our servicing platform, particularly in light of the core origination opportunities we had seen in the years following the crisis.

What will the Homeloans merger mean for the group and what is the expected impact on the funding task?

■ **PLOUGHMAN** The rationale for this transaction is that it incorporates additional diversification of distribution and the fact that Homeloans is a different type of business which diversifies the style of income for Resimac. The businesses are extremely complementary and therefore we are

very excited about the opportunities the merger brings.

We have been working on the transaction on the basis that it will bring growth, and therefore a larger funding task, to the Resimac business. The rationale in the transactional profile of Resimac's issuance this year has all been all about preparing our business for this purchase.

Resimac has always stood by its transparency. How is the firm engaging with the development of a domestic data warehouse, and to what extent might compulsory data availability erode your investor-relations edge?

■ **MARSDEN** We have always supported standardised, or indeed any, residential mortgage-backed securities data for our sector. There has been a similar undertaking in the UK and US, which was also largely driven by the respective central banks. Australia was probably one of the last issuing jurisdictions to undertake this task. We see it as a very positive development for the market and because our systems are all attuned to our securitisation requirements any further standardisation is something we fully support.

We believe that Resimac was one of the first to meet the Reserve Bank of Australia (RBA)'s full requirements around loan-level data. We carried out all the necessary development work in-house and going forward our data provision is being taken care of through a combination of Resimac's IT department and its securitisation team.

We are fully aware of the extent to which domestic and offshore investors value data. So to have standardisation of this information between issuers is clearly a positive development for several reasons – not least the fact that it brings Australian issuers in line with international standards. Resimac's transparent business model means we like to furnish investors with all the data necessary for their investment. This means we also maintain a comprehensive website, including all our outstanding deals and collateral.

■ **PLOUGHMAN** It has to be said, though, that we don't believe the provision of loan-level data significantly moves the dial for our investors. The general concern around data reporting has been around getting issuers up to speed with the RBA's requirements. This is largely complete across the board now.

How much growth has Resimac seen in its online channel, and how do you envisage its share of loans you originate growing in the years to come?

■ **PLOUGHMAN** The online channel is becoming more and more important to our business. When we begin a new stream we also keep the original stream. As well as diversification this provides a different way of sourcing assets via brokers. The issue for us has been that we like getting as close as possible to the customer as a way for us to develop new products. The view here, therefore, is that while online engagement is a very sensible investment it needs to be managed well. •

RESIMAC PROFILE

SIZE OF LOAN BOOK	A\$5.7BN EQUIVALENT
MAKEUP OF LOAN BOOK	<ul style="list-style-type: none"> • PRIME RESIDENTIAL MORTGAGES: 73% • NONCONFORMING RESIDENTIAL MORTGAGES: 27%
GEOGRAPHIC DISTRIBUTION OF LOAN BOOK	<ul style="list-style-type: none"> • AUSTRALIA: 89% • NEW ZEALAND: 5% • UK: 6%
OUTSTANDING DEBT ISSUANCE	<ul style="list-style-type: none"> • SECURITISATION: A\$4.2M EQUIVALENT • SECURITISED WAREHOUSE FACILITIES: A\$1.5BN EQUIVALENT

About Resimac

Resimac is a leading nonbank financial institution which commenced operations in 1985. It was established by the New South Wales (NSW) state government to service and securitise residential loans for HomeFund, a NSW government housing programme under the name of First Australian National Mortgage Acceptance Corporation.

The Australian-owned company has grown immensely and now offers a suite of both prime and specialist-lending products tailored to the residential market in Australia and New Zealand. Resimac's assets are originated from a distribution network of online and direct business-to-consumer proprietary channels, aggregators, mortgage managers and retail sources, and through select portfolio acquisitions.

Resimac's asset origination and servicing capabilities are best reflected by the performance of its portfolio, which has default and loss levels well below its peers. Resimac's asset-servicing credentials are recognised by a "strong" servicer ranking from S&P Global Ratings. Resimac's capital-markets activities are core to its enterprise strategy and it remains one of the most prolific Australian nonbank issuers. Resimac was the first Australian RMBS issuer in 1988 and since this time has issued more than A\$20 billion equivalent in 37 domestic and offshore issues including in Europe, the US and New Zealand.

Ownership and capital structure

Resimac is a 100% owned subsidiary of Homeloans as of October 2016, following the merger of the two entities. Homeloans is an Australian Securities Exchange-listed nonbank lender with a nationwide presence. Since its origins in 1985, Homeloans has grown to become a leading alternative provider of residential mortgage finance. Resimac/Homeloans prides itself on the standard of corporate-governance practices. It has a highly experienced board with long-standing industry and financial-services experience.

Funding strategy

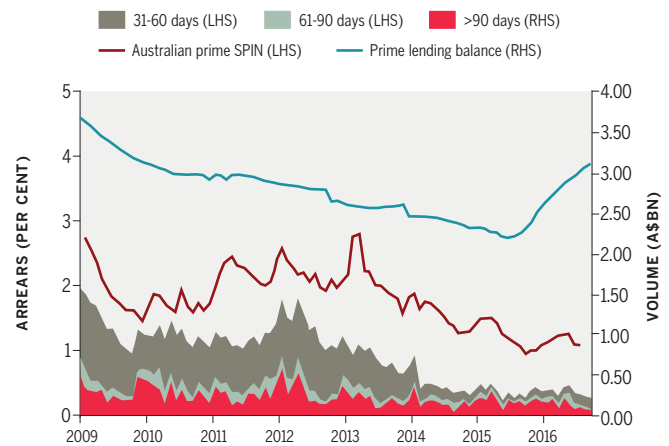
The Resimac funding programme encompasses short- and long-term funding tenors across six distinct programmes in Australia – under Premier, Bastille and Avoca – New Zealand

– both prime and nonconforming – and the UK. The various funding sources provide funding diversification and a global investor base, and enable Resimac to efficiently fund its mortgage portfolio.

Warehouse facilities support production and acquisition opportunities while capital markets issuance allows Resimac to secure medium- to long-term funding. Resimac maintains strong relationships with a range of Australian and overseas institutional investors and each asset is underwritten with the end investor in mind.

As part of its diversification strategy, Resimac launched a US 144A programme in 2012 under its Premier shelf, which has allowed it to increase size and achieve diversification of funding. Since then, it has issued US\$1.6 billion over six 144A-compliant US dollar transactions and developed a broad array of US investors.

RESIMAC PRIME RMBS PORTFOLIO HISTORICAL ARREARS



SOURCE: RESIMAC OCTOBER 2016

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